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Wednesday January 29 1992

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ALGERIA
Failing the bread test
Page 13

World News

Compromise sought to pull Palestinians into talks

Efforts continued in Moscow to draw the Palestinians back into Middle East peace talks after they boycotted the opening of the third stage multinational forum.

This followed an argument with the US-Russian co-sponsors over representatives nominated by the Palestine Liberation Organisation. US secretary of state James Baker later hinted at a possible compromise. Page 4

Leader seeks reforms
Ukrainian president Leonid Kravchuk asked parliament in Kiev for sweeping powers to help him push through rapid economic reforms. Page 2

Israel's nuclear fears
Israel claims Iran is in the early stages of developing a domestic nuclear weapons programme similar to that pursued by Iraq. Page 4

Helicopter shot down
Armenians shot down an Azerbaijani civilian helicopter over the strife-torn Armenian enclave of Nagorno-Karabakh, killing about 40 people. Page 2

Setback for peace
United Nations plans to send 10,000 peacekeepers to Yugoslavia were undermined when UN special envoy Marrack Goulding failed to persuade one of the main Serb leaders in Croatia to accept their deployment. Page 2

UK labour reforms
The UK government has shelved plans to make agreements between unions and employers legally binding, but will otherwise press ahead with almost all the reforms laid out in last year's industrial relations green paper. Page 8

Yeltsin in fleet talks
Russian president Boris Yeltsin brushed aside speculation about his health and flew to the port of Novorossiisk for talks on the command structure of the Black Sea fleet. He is expected in London tomorrow for talks with prime minister John Major. Page 2

Aircraft deaths rise
A total of 1,090 people died in aircraft accidents last year, an increase of nearly 80 per cent on 1990 according to the magazine Flight International.

Five die in tanker blast
Four Filipinos and a Pole were killed in a fire and explosion on a supertanker owned by BP France at the Bahrain-based Arab Shipbuilding and Repair Yard.

Finns co-operate
Finnish experts are to help Russian scientists improve safety at Sosnovy Bor nuclear power station near St Petersburg, which has Chernobyl-type reactors.

Terreblanche arrested
Police in Johannesburg arrested South African neo-Nazi leader Eugene Terreblanche and nine others. Police said they would be charged with public violence. Page 4

Britons to tackle Everest
A team of UK servicemen travels to Everest next month, hoping to become the first Britons to conquer the mountain via its treacherous west ridge.

Plea for scientists
The west should employ the former Soviet Union's nuclear scientists to prevent them being tempted into dubious work in the Third World, a senior US defence official said. Page 2

SS site to be memorial
The headquarters of Hitler's Gestapo and SS, now a rubble-strewn wasteland, will become a memorial centre for the victims of Nazism, the city of Berlin said.

Business Summary

Crédit Suisse rating downgraded by Moody's

MOODY'S, the US credit rating agency, stunned Swiss bankers by downgrading the long-term deposit rating of Crédit Suisse from Aaa to Aa1 and disclosing that it is also reviewing its rating on the long-term deposits of Swiss Bank Corporation, Switzerland's second biggest bank. Page 15

ABSA and Bankorp, two of South Africa's biggest banks, are merging operations to form *a banking group with assets* of more than R80bn ($28.7bn). ABSA was itself formed from a merger only last year.

GERMANY'S broad money supply rose at an annual rate of 9.5 per cent in the last quarter of 1991 – dashing hopes for an interest rate cut. Page 2

TORSTEIN HAGEN, London-based Norwegian investor who controls a 27 per cent stake in Nedlloyd, was nominated to the Dutch transport group's supervisory board. The move ends a war of nerves between the company's management and its single biggest shareholder. Page 16

LONRHO, international trading group, will lose control of a lucrative business from the end of 1993, when German car maker Volkswagen takes over import and distribution of Volkswagen/Audi cars currently handled by Lonrho subsidiary VAG (United Kingdom). Page 15

HOLLAND Sweetener, only European producer of the sweetener aspartame, plans to quadruple production capacity ready to attack the big US market dominated by NutraSweet. Page 15

BET shares closed 17p lower at 159p in London after the UK business services conglomerate was downgraded by City of London analysts including its own broker. Page 20; Lex, Page 14

FOUGEROLLE, French construction company, is bidding for competitor Société Auxiliare d'Entreprises. The offer values SAE at FFr4.6bn ($836m). Page 16

JAPAN'S economy is going through a "correction" period, the country's Economic Planning Agency said. Page 14

JAPAN is scaling down plans to liberalise fixed stock exchange commissions. Advisers have told the Japanese finance ministry the liberalisation should be implemented gradually. Page 18

THYSSEN: Heinz Kriwet, head of the German steel group, appealed for compromise over pay negotiations and said a strike in present business conditions was "unimaginable". Page 14

GENBEL, investment arm of South African mining house Gencor, lifted earnings and dividends by 11 per cent in the six months to end-December. Distributable income was R82.3m ($29.4m) from R74.5m. Page 18

PROCTER & Gamble, US consumer products group, improved second-quarter net earnings by 7 per cent to $523m on good international volume growth. Page 17

UNION CARBIDE, big US chemicals company, reported a $28m loss in 1991 against net profits of $308m the year before. UC took $200m of special charges linked to restructuring. Page 17

AIR FRANCE is suspending its flights to London's Stansted airport because of disappointing passenger loads and boosting services from the smaller London City Airport Page 8

ASEAN nations Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei signed a mutual tariff reduction deal and said they wanted a free trade area within 15 years. Page 7

Bank calls for progress on political union

Kohl faces tough line on Emu from Bundesbank

By David Marsh, Europe Editor, in London

THE Bundesbank is to publish a special declaration next month to bring into the open its misgivings about last month's *Maastricht* deal on European Monetary Union (Emu).

The statement by the German central bank is expected to point to the need for the European Community to decide further steps towards political union to provide the right framework for a move to *a single currency.*

Chancellor Helmut Kohl's failure at Maastricht to persuade other EC *members to* make a full commitment to political union has been widely criticised by members of the 16-strong Bundesbank council.

The council agreed the statement at its regular fortnightly meeting last Thursday as a way of influencing the debate in Germany on parliamentary ratification of the *Maastricht* deal.

News of the council's delib*erations coincided yesterday* with indications that the Bundesbank may continue its high interest rate policy for several more months.

Mr Otmar Issing, the Bundesbank directorate member responsible for economics, said the current 4 per cent inflation rate was "worryingly high" and was unlikely to decline in the short term.

In its statement next month, the Bundesbank is *likely* to state the need for properly co-ordinated EC fiscal policies to deal with economic strains arising from the move to European monetary union. It may *also indicate doubts about fea*tures of the Maastricht agreement on economic policy *which appear to counter* free-market trade principles.

- **Family quarrel at Bundesbank........Page 12**
- **Steel group chief calls for wages compromise........Page 14**

The council statement will appear together with an article on Emu from the bank's economics department, to be published in February's Bundesbank monthly report. The council has chosen cautious language to avoid being accused of a *direct attack* on the government over its European policies.

*The decision to publish a for*mal statement next month represents a compromise, reached after several weeks of internal wrangling, about the best way to make the central bank's views known. Mr Helmut Schlesinger, the Bundesbank president, is sceptical about fixing a firm timetable for moving to Emu, but has made only innocuous remarks in public over the issue to avoid acrimony with Bonn.

A number of regional central bank governors on the council have, on the other hand, been pressing for a more active Bundesbank stance. Moderates like Mr Karl Thomas, from the Hesse central bank, and Mr Dieter Hiss, the Berlin representative, have both criticised the Maastricht deal in recent weeks.

Mr Lothar Müller, the conservative president of the Bavarian central bank, who was one of the main advocates for the Bundesbank's half-point increase in interest rates *last month, has also hit at lack* of progress in moving towards political union.

Mr Wilhelm Nölling, the head of the Hamburg central bank, has gone as far as to accuse the Bonn government of dishonesty in its newspaper advertising campaign trying to win domestic backing for the *Maastricht* deal.

Under the Maastricht accords, EC countries would *move to a single currency by* 1999 at the latest, provided they fulfilled strict economic convergence criteria.

Publication of the Bundesbank document has been delayed until next month to allow the central bank to take account of the final version of the Maastricht treaties. The Maastricht wording is currently being refined by member governments ahead of formal signing early next month.

IBM chosen for alliance with Bull group

By William Dawkins in Paris

THE French government yesterday chose IBM, the world's leading computer maker, for a wide ranging technology, research and commercial alliance with Bull, the loss-making state-owned computer group.

IBM is expected to pay an estimated $100m (£55.2m) for a 5.7 per cent stake in Bull – though amounts have yet to be fixed – to seal the deal.

This is the main part of a *series of accords announced* yesterday, also embracing SGS-Thomson, the Franco-Italian semiconductor company and Apple, the US microcomputer group.

The selection of IBM, the preferred choice of Bull's own management and French president François Mitterrand, *brings to an end six months* of behind the scenes competition between IBM and *Hewlett Packard, the rival* suitor.

This is the second phase of the reorganisation of France's state-owned high-technology companies, following the proposal announced last month to merge the state's civil electronics and nuclear energy businesses.

IBM is the second foreign investor in Bull since last year's controversial purchase of a 4.7 per cent stake by NEC, the Japanese electronics company, cementing their accord under which Bull distributes NEC mainframes in *Europe.*

HP, which yesterday said it was "disappointed for Bull", *has agreed to continue* separate talks with SGS-Thomson, the Franco-Italian semiconductor group, for a possible chip purchasing agreement but denied any suggestion that it might take an equity stake.

French computer industry thrown a lifeline.....Page 16

IBM is to supply Bull with its microprocessors and computers based on "reduced instruction set computing" *technology, which allows* quicker response times, while the French group will make available to IBM its own open-standards technology, which enables different makes of computer to interconnect.

Mr John Akers, IBM's chairman said: "It is another step in the development of a strong information technology industry in Europe and represents further progress in the *acceptance of open standards.*"

The US computer group has agreed to purchase 150,000 *notebook computers* annually from Zenith Data Systems – Bull's microcomputer subsidiary – over the next four years for sale under the IBM label, say government officials. They also said IBM would buy $10m worth a year of circuit boards and components from Bull's main plant in Angers, and dou*ble its chip purchases from* SGS-Thomson to $100m per year in three to four years.

Bull is to join a Texas-based centre for research into the next generation of microcomputers, run by Apple with IBM and *Motorola,* the US electronics group.

While Apple is to form a task *force with other French tech*nology companies to research into "multimedia" terminals, for the simultaneous processing of video, graphics, voice and text.

Swedish government rejects Volvo deal

By Robert Taylor in Stockholm

THE Swedish government and Volvo are to hold urgent talks to try and resolve the future of Procordia, the Swedish food and pharmaceuticals conglomerate in which Volvo and the Swedish state are the dominant shareholders.

This follows the rejection last night by the Swedish cabinet of Volvo's attempt to become Procordia's majority *shareowner in a share swap* deal worth SKr38.7bn ($6.59bn).

Mr Carl Bildt, the prime minister, said the proposed deal was "unacceptable" because it would have meant a financial loss for the state. The government at present owns 34.2 per cent of the equity and 42.7 per cent of the voting rights in Procordia.

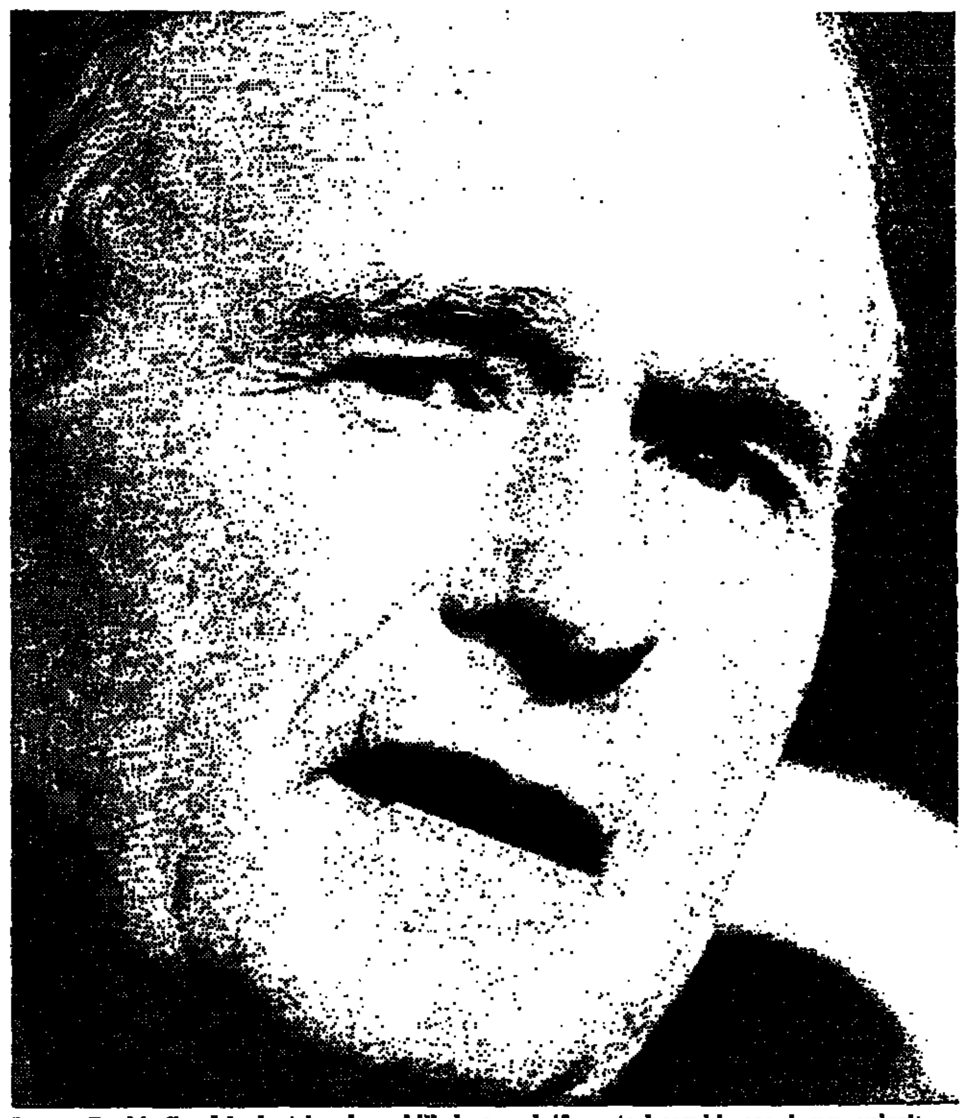
The mounting public controversy over Volvo's planned *acquisition of Procordia* has cast serious doubt over whether Mr Pehr Gyllenhammar, Volvo's executive chairman, will be able to force the deal through in its present form.

On a business trip to the US, the Volvo chief said last night that it was possible to discuss further the details of the proposed offer and reach a solution through negotiation with the Swedish government.

Mr Gyllenhammar added that he was sorry the Procordia bid had caused so much political turbulence in Sweden but he remained determined that the deal should go through.

The Swedish cabinet's swift decision to oppose the proposed merger of Volvo and Procordia followed the unanimous rejection of the deal yesterday Continued on Page 14

Lex, Page 14



George Bush's fiscal budget has been billed as a platform to buoy his sagging popularity

Bush address marred by health care feud

By Lionel Barber in Washington

A WHITE HOUSE power struggle over plans to reform the US health care system last night cast a shadow over President George Bush's State of the Union address, the launch-pad for his re-election campaign.

The high-level feud surfaced only hours before Mr Bush's keynote speech to Congress, which was expected to include an economic growth package, deep cuts in defence spending, and fresh proposals for reducing nuclear weapons in the US and *former Soviet Union.*

Mr Bush was due to deliver his televised address at 9pm Eastern standard time (2am GMT). The speech, to be followed today by the fiscal 1993 budget, has been billed as a platform to buoy his sagging popularity.

But plans for a smooth run-up came unstuck after congressional Republicans rebelled over provisions for health care reform put forward by Mr Richard Darman, the president's budget director.

Page 6
- **Health care fracas leaves Darman bruised**
- **Consumers still gloomy over US economy**
- ***Clinton 'circus' turns spotlight on US media***

The revolt forced Mr Samuel Skinner, White House chief of staff, temporarily to halt printing of the 2,000-page budget document to allow Mr Darman to remove offending passages.

Although the White House tried to play down the row, some administration officials said it reflected a power struggle between Mr Darman and Mr Skinner over control of domestic policy. It was also a measure of more profound divisions within the Republican party.

Mr Darman's proposals included a tax on employer-*provided health care benefits* for Americans earning between $100,000 and $125,000 a year, as well as higher premiums to be paid by the wealthy for Medicare, the health scheme for the elderly.

These provisions were aimed at funding tax credits for the poor to buy health insurance, and tax deductions for the middle class whose employers Continued on Page 14

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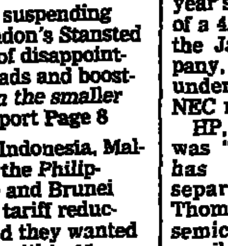
Political pressures lead Iran to backpedal *on reform*



President Hashemi Rafsanjani of Iran (left) has defended *his gov*ernment's plans to *raise* subsidies to *ease the plight of the* poor, even though such policies run *counter* to IMF proposals
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MARKETS

STERLING
New York:
$1.792 (1.782)
London:
$1.7955 (1.7785)
DM2.8675 (2.8725)
FFr9.7775 (9.78)
SFr2.55 (2.5525)
Y225.5 (222.75)
£ index 90.8 (90.5)

GOLD
New York Comex Feb
$355.9 (355)
London:
$356.05 (356.15)

N SEA OIL (Argus)
Brent 15-day Mar
$18.2 (18.3)

Chief price changes yesterday: Page 15

DOLLAR
New York :
DM1.5998 (1.6105)
FFr5.4525 (5.4855)
SFr1.4231 (1.43025)
Y125.79 (125.25)
London:
DM1.5985 (1.6165)
FFr5.445 (5.505)
SFr1.4205 (1.437)
Y125.8 (125.4)
$ *index* 62.6 (62.9)
Tokyo close: Y125.37

US CLOSING RATES
Fed Funds: $3\frac{15}{16}$% (4)
3-mo Treasury Bills:
3.911% (3.93)
Long Bond:
$103\frac{7}{8}$ ($103\frac{1}{2}$)
yield: 7.661% (7.72)

STOCK INDICES
FT-SE 100: Yield 4.81
2,552.0 (+12.1)
FT-A All-Share:
1,219.99 (+0.5%)
FT-SE Eurotrack 100:
1,143.22 (+0.70)
FT-A World Index:
147.58 (+0.5)
New York :
DJ Ind. Av.
3,272.14 (+31.53)
S&P Comp
414.98 (− 0.03)
Tokyo: Nikkei
21,390.52 (+383.41)

LONDON MONEY
3-month Interbank:
$10\frac{5}{8}$% ($10\frac{11}{16}$)
Liffe long gilt future:
Mar $97\frac{15}{32}$ (Mar $97\frac{5}{32}$)

Soaring M3 figure dashes hope for interest rate cut

German money supply rises at rate of 9.5%

By Quentin Peel in Bonn

BROAD money supply in Germany increased at an annual rate of 9.5 per cent in the last three months of 1991, after a further sharp acceleration in December, the Bundesbank announced yesterday.

The figures were cited yesterday as clear justification for the bank's move in raising interest rates by a half percentage point last month, and suggest there is little likelihood of any relaxation in its determination to bring inflation in the economy under control.

The latest figures show that in December M3 money supply – the measure which includes bank deposits of up to four years' term, and other savings accounts as well as cash in circulation and current accounts – increased by 5.7 per cent compared with the figure in December 1990, against 5.1 per cent in November and 4.7 per cent in October.

The acceleration in the growth of money supply was fuelled primarily by the expansion of credit from commercial banks to both enterprises and individuals, the central bank figures show, with rises respectively of 12 and 14 per cent.

Over the last six months of the year, M3 money supply increased at an annual rate of 8 per cent, and over the last three months, by 9.5 per cent, according to Dr Otmar Issing, a member of the Bundesbank management board, speaking in Bonn yesterday.

"In overall economic terms, everything is certainly not ideal," he told a conference on investing in Germany. The current inflation rate of over 4 per cent was "disturbingly high."

"A central bank which is duty bound to preserve price stability cannot be satisfied with that," he added. "Our task must be to protect the credibility of monetary growth by bringing it back within the growth framework [of 3.5 to 5.5 per cent]."

The Bundesbank also had an international responsibility to preserve D-Mark stability, he said. "However unwelcome the consequences of a strict monetary policy may be in one or another case. . . . the Bundesbank must maintain its anchor role and take the necessary measures to preserve it."

Monetary stability was an essential element in the attraction of Germany as an investment destination, he said. But monetary policy alone could not make it attractive. On the other hand, he underlined that longer-term capital market interest rates actually fell in Germany after the Bundesbank raised its discount and Lombard rates in December, a demonstration of trust in the policy of monetary stability it represented. Dr Issing left his audience in no doubt about the central bank's continuing worries about the high level of public sector debt, arising from the state governments, and the Treuhand privatisation agency in the east, as well as from central government.

"Regardless of the origin of state debt, we are running the risk of all the charges suffered by other countries with unrestrained state debt: high interest rates, excessive burdens on private investment capacity, and restriction of the room for manoeuvre of financial policy," he said.

It was now essential that there was a containment of public sector consumption, dismantling of state subsidies, and to a much more radical extent than hitherto, cutting back projects in the west of the country to finance recovery in the east.

As for the current wage demands, there would be serious dangers for both stability and economic growth if wage rises in both east and west continued at the level of 1991. "A complete change of thinking is needed," he said.

Croatian soldiers, on the left, and Serbian soldiers, on the right, exchange the bodies of their dead, at Stari Grabovac, near Novska in Croatia. Plans by the United Nations to send 10,000 peacekeepers to Yugoslavia were undermined yesterday when Mr Marrack Goulding, the UN special envoy, failed to persuade one of the main Serb leaders in Croatia to accept their deployment. Mr Goulding said Mr Milan Babic, leader of the self-proclaimed Serb Republic of Krajina, in Knin, southern Croatia, had "maintained his objections".

Night shift ban on women ends

JUST months before its 100th anniversary, a German ban on night shift work for women manual workers has been overturned by the country's supreme constitutional court as an offence against equal rights, reports Quentin Peel.

The law banning female manual work – but not white collar activity – between 8pm and 6am was introduced in the days of the German empire, on June 1 1891, to protect female workers against exploitation by 19th century industrialists.

Yesterday it was overturned on the challenge of a woman clerk in a bakery. She had been fined for taking on women to pack cakes on the night shift.

The decision is not going to mean a free-for-all in the highly regulated German labour market. The constitutional court in Karlsruhe has ordered the government to introduce a new law to control all night-time working – for men and women.

The ruling is in line with a European Court decision.

Another eastern state to get western premier

By Quentin Peel

A WEST German candidate, Mr Bernhard Vogel, former prime minister of Rhineland Palatinate and close confidant of Chancellor Helmut Kohl, seems certain to become the third western premier to run a former east German state in the federal republic.

The move by the dominant Christian Democratic Union (CDU) in the state of Thuringia amounts to a calculated risk by the Chancellor to bring his eastern house in order.

The danger is that it will further infuriate east German opinion, which is already bitter about the behaviour of westerners in enforcing the free market economy on their collapsed socialist system.

The benefit is that it could provide new leadership to an eastern CDU which has so far failed to produce outstanding personalities, and is torn between politicians tainted by co-operation with the former Communist authorities, and angry young reformers without experience of office.

Mr Vogel, head of the Konrad Adenauer Institute, a CDU think tank in Bonn, has been proposed by Thuringian Christian Democrats to their Free Democrat partners in government after the resignation last week of Mr Josef Duchac.

Mr Duchac had been under pressure after revelations that he had once performed as a clown to entertain the officers of the former East German Stasi security police.

Reports from Erfurt, the capital of Thuringia, yesterday showed conflicting reactions. Some said Chancellor Kohl was showing typical "Wessi" arrogance towards the east, foisting his own candidate on the local party. Others admitted that easterners did not trust anyone from their own land.

One western import, Mr Kurt Biedenkopf in neighbouring Saxony, has had considerable success in galvanising his state government and attracting investment. Mr Werner Münch in Saxony Anhalt has been more lacklustre.

France loosens investor curbs

By William Dawkins in Paris

FRANCE has loosened one of its few remaining curbs on foreign investment, the latest step in a gradual increase in liberalism which began in the mid-1980s.

The relaxation is intended to benefit non-European Community businesses, which will no longer have to seek prior government approval to buy French companies. This applies to takeovers worth less than FFr50m (£5.11m) of French companies with annual sales of less than FFr500m, representing 90 per cent of non-EC acquisitions in France.

From now on, non-EC investors will simply have to notify their plans to the government, which will have 15 days – as against one month previously – to veto bids deemed to threaten public order, health or national defence interests. This puts EC and non-European companies on the same footing.

The move is of symbolic importance, coinciding with the government's decision to allow IBM, the US computer maker, to buy a stake in Bull, the state-owned computer group. However, the practical impact will be slight, since the Finance Ministry held up only four of the 2,250 takeover proposals presented to it in 1990, the latest year for which figures are available.

Among the blocked or delayed investments were plans by Toyota and Nissan to take control of their French distributors, later cleared after the signing of the EC-Japan accord on car imports. In that year, the government vetoed the proposed takeover by Giancarlo Parretti, the Italian financier, of Pathé Cinema, the French film theatre.

Underlying the relaxation is official concern over the continuing imbalance between French investment abroad and foreign investment in France. In the five years to 1990, French companies invested FFr535m abroad, while foreign investors brought less than half that amount, FFr263m into France. Paris is hoping new investors will provide jobs.

E Europeans pessimistic about effect of reform

By David Buchan in Brussels

MOST east Europeans are dissatisfied with democratic and living standards in their countries, according to a poll conducted last autumn and published yesterday on behalf of the European Community. It also shows that a significant minority want to move to western Europe.

Only in Lithuania did a majority pronounce themselves satisfied with their democracy. In all, 10,000 people in 10 states or regions – Albania, Romania, Bulgaria, Lithuania, Latvia, Estonia, Hungary, Czechoslovakia, Poland and European Russia – were canvassed in the joint poll by Eurobarometer, the Commission's opinion research division, and Gallup of the UK. Publication has been delayed by the need to check methods in Albania and Romania.

Such negative opinions in these fledgling democracies – compounded by general pessimism about the chances of rapid economic improvement in 1992 – are hardly surprising. But the most sensitive aspect of this poll for western Europe, where right-wing groups are exploiting fears of widespread immigration, is the possible knock-on effect on potential emigration.

Three out of 10 (30 per cent) east Europeans interviewed said they had considered going to work in western Europe, while only one in four (23 per cent) European Russians said they had had similar thoughts. But when people were asked to consider "the likelihood of such a decision [to emigrate] becoming a reality", the proportion of those who said they "intend definitely" to move west dropped to 3 per cent in eastern Europe, and less than 1 per cent in European Russia.

EC officials say the combined figure for those "definitely" or "probably" intending to move west was 8 per cent of the region's population, or 13m people. But an official strongly cautioned that this was "only a measure of the psychological potential for migration, not an indication of the number of people with suitcases packed".

West urged to hire Soviet N-experts

By David Buchan in Brussels

WESTERN industry – and governments if need be – should employ the former Soviet Union's nuclear scientists, to prevent them being tempted into dubious work in the third world, a senior US defence official said yesterday.

These "very capable" nuclear scientists "ought to be a valuable economic asset for commercial industry in western Europe or the US," said the official, who was in Brussels to brief Nato allies after 10 days of US-Russian talks on dismantling nuclear weapons.

"It should not necessarily be the job of [western] governments to subsidise the use of these scientists' talents, though it might come to that," he said.

However, he dismissed stories that there was already a nuclear brain, or bomb, drain from the former Soviet Union. "I know of no cases of weapons-grade material leaving the former Soviet Union," he said. Any exports appeared to be of either depleted uranium, which is used in conventional warheads, or minute quantities of plutonium, used to detect alpha-radiation. "Nor do I know of any (scientist) being approached to work elsewhere or leaving."

After the 24 talks in Moscow with the Russian general staff and the Atomic Power Ministry the US official praised their sense of reponsibility in proceeding with the dismantling of tactical nuclear weapons, promised by former Soviet President Mikhail Gorbachev last October and re-confirmed since by Russia's President Boris Yeltsin.

Fears that Soviet nuclear weapons could fall into the wrong hands centre as much, or more, on the 15,000-16,000 nuclear artillery shells, mines and short-range missiles spread around the former Soviet Union, as on the more tightly-held 11,000 strategic missiles. The US official said all of Russia's fellow republics appeared to be "responsible and supportive" in returning the tactical weapons for storage and eventual dismantling.

The US has offered to help Moscow with a range of tasks, the official said. These include help in "providing secure transport of weapons from bases to central storage inside Russia, disabling weapons before transport, providing intermediate storage for weapons awaiting destruction, dismantling of weapons, transport of disassembled components and long-term storage of fissile plutonium and uranium."

Yeltsin in Black Sea fleet talks

RUSSIAN President Boris Yeltsin yesterday brushed aside speculation about his health, flying to the south Russian port of Novorossiisk for talks on a cruiser with leaders of the Black Sea Fleet, Reuter reports from Moscow.

The president, accompanied by Commonwealth forces Commander-in-Chief Yevgeny Shaposhnikov, met military leaders to discuss nuclear arms ahead of the president's visit to the UN this week.

The fate of the fleet, with its nuclear weaponry, has emerged as a big source of tension between Russia and neighbouring Ukraine, which is trying to wrest the bulk of its ships from the command of the 11-nation Commonwealth of Independent States.

Mr Yeltsin faced close questioning aboard the 19,300-tonne cruiser Moskva from fleet commander Admiral Igor Kasatonov and Commonwealth naval chief Vladimir Chernavin.

They have insisted that the fleet must stay under united command.

Mr Yeltsin's appearance on the Moskva, a ship Western naval experts say is overdue for scrapping, could help dispel uncertainty in the West aroused by his failure to take part in this week's Middle East peace talks in Moscow. The president cancelled meetings with officials connected with the conference on Monday and a spokesman said he was busy with domestic matters.

Mr Yeltsin's visit to the United Nations on Friday will mark his first important venture abroad as a world leader. Western leaders will be seeking reassurances the Commonwealth will survive and the future of the former Soviet forces will be settled. This raises important questions of sovereignty for Russia as well as vital economic questions as the country comes to rely increasingly on foreign aid.

Gamsakhurdia loses stronghold

GEORGIAN government forces yesterday seized Poti, one of the last strongholds loyal to the republic's ousted president, Mr Zviad Gamsakhurdia, after a day of fighting in which at least six people died, Reuter reports.

Armoured vehicles rumbled along the streets as residents, mainly supporters of Mr Gamsakhurdia, boarded up windows and remained indoors. The head of the town's hospital and local officials said six people had been killed and at least 20 others injured in fighting around a bridge to the north of the town.

Mr Gamsakhurdia, elected by a landslide last May, fled to Armenia three weeks ago after losing a bloody power struggle with the ruling Military Council. He later returned to west Georgia, but his whereabouts have been unknown for the past week.

The fall of Poti was another serious blow to his attempt to regain power. He can now rely on support only in the port of Sukhumi to the north and the town of Zugdidi to the east.

● The Ukrainian president, Mr Leonid Kravchuk, yesterday asked parliament for sweeping powers to help him push through rapid economic reforms, Reuter reports from Kiev.

"The foundation of our state is taking place in difficult times. The economic downturn is continuing. . . People are losing faith in our ability to improve the situation," Mr Kravchuk told parliament's opening session.

He said that he had faith in Mr Vitold Fokin, his unpopular prime minister, who has been widely criticised for excessive caution in starting a privatisation programme which would speed the country's move to a market economy.

Mr Kravchuk said he was seeking wider powers to enable him to form a new government after consulting other parties.

It was not immediately clear when parliament would decide on his request which, if granted, would give him decree-issuing powers similar to those obtained by the Russian president, Mr Boris Yeltsin.

Azerbaijan helicopter shot down

ARMENIAN militants yesterday shot down an Azerbaijani civilian helicopter flying over the strife-torn Armenian enclave of Nagorno-Karabakh, killing about 40 people, an Azerbaijani presidential spokesman said, agencies report.

It was the most serious incident in the fight for control of the area since a civilian helicopter carrying officials trying to mediate in the conflict was shot down two months ago, killing more than 20 people.

The reports seemed certain to inflame tensions between the former Soviet republics of Armenia and Azerbaijan. Fighting over Nagorno-Karabakh intensified late last year after the Russian president, Mr Boris Yeltsin, ordered the withdrawal of troops sent to the region to keep the peace.

Tass and Interfax news agencies said the helicopter was hit while on a flight from the town of Agdam to Shusha, an Azeri stronghold in Nagorno-Karabakh.

"According to preliminary data, the helicopter was carrying around 40 people, including women and children. All passengers and crew members died," Tass quoted an Azeri official as saying.

The Armenian mission in Moscow confirmed the shooting down of the helicopter but said it was "presumably carrying weapons and ammunition to Azerbaijanis who have been attacking the Armenian village of Karintag" (between Stepanakert and Shusha).

Azerbaijan has abolished the autonomous status of Nagorno-Karabakh and introduced presidential rule in parts of the region, actions dismissed by Armenia as meaningless.

Turkish gas company privatised

By John Murray Brown in Ankara

TURKEY'S new coalition government has concluded its first sizeable privatisation, selling 51 per cent of a local gas company to Prima Gaz, the publicly listed French concern, for TL 350bn(£35.88m). Prima Gaz now owns 100 per cent of Ipragas, a bottled gas producer, having already had a 49 per cent stake in the company.

Citibank the US bank advising Prima Gaz said the sale represented a clear signal of the government's commitment to sell state assets.

The deal also marks France's growing presence in Turkey's gas sector. Technigaz, a subsidiary of the Bouygues Group, is already building a terminal for Libyan gas near Istanbul, where SAE – another French concern – is installing a city gas network.

Industry officials say the French are keen to establish a position before production from Iran, Qatar and the central Asian republics comes on stream over the next decade.

Czechoslovaks queue to cash in on capitalism

Investment funds are changing the face of the mass privatisation programme, writes **Ariane Genillard**

IN THE course of a few weeks, an investment fund, called Harvard Capital and Consulting (HC&C), has changed the pace and nature of the entire mass privatisation programme in Czechoslovakia.

Funds are a relatively new phenomenon in a country which is embarking on a radical programme of economic reforms. In recent months, more than 450 private investment funds have mushroomed in Czechoslovakia with the aim of participating in the sell-off of state-owned enterprises to the population.

Set up by large banks, enterprise managers, or individual entrepreneurs, the funds have started marketing their investment expertise aggressively in an effort to woo Czechoslovak citizens, who are often confused by the privatisation process.

Under the mass privatisation programme, an estimated Kcs200bn (£4bn) worth of state-owned assets will be distributed to citizens above 18 years of age in the form of vouchers. For a small fee – about a week's wages – citizens can buy and register a voucher book entitling them to shares in the new private companies once the privatisation process is completed.

Long queues, unseen since the demise of communism, have now reappeared in the country as would-be participants attempt to register their voucher books. Yet, while only 700,000 people had registered before Christmas, the number has sharply increased to more than 2m since then. It was the Harvard Fund which created this surge of interest.

Advertised five times a day on television, the fund has attracted participants by promising a tenfold return in a year's time. Waiting for customers

In recent months, more than 450 private funds have been set up

at local post offices, where voucher books are bought, the fund's 22,000 agents offer Kcs10,350 in one year to those willing to assign their voucher book, bought for Kcs1,000, to the fund.

According to Mr Viktor Kozeny, the young director and owner of the fund, the guarantee is a simple put option as seen in western capital markets. By entering this fund, clients become shareholders of the fund's capital. In one year's time, they can choose to sell their share in the Harvard fund at either the promised guarantee, or a market price if higher.

However, the scheme, decried by privatisation officials as a hoax, has caused havoc. Other funds have started offering similar financial guarantees; Investicni Banka, which opened a investment fund with Flemings of London earlier last year, is now promising a guaranteed return of Kcs11,000 in one year.

Privatisation Ministry officials believe this is a very dangerous trend. The Harvard Fund, they point out, is in no position to know today if it will be able to meet its obligations in a year. They also claim it is misleading people in its advertising.

"We look at our critics and we smile," Mr Kozeny responds from his chauffeur-driven limousine. "There is no law in the country which prevents me from making such a promise." He maintains that the shares will increase greatly in value and therefore he will be able to match his guarantees.

Not everyone agrees. One local banker points out that state-owned assets are evaluated on a book value basis, and in many cases their market values will be markedly lower. Second, the ability to live up to guarantees depends on the liquidity in the capital markets at the time of the sell-off.

"If 250,000 people each ask the Harvard Fund for Kcs10,350 in a year's time the fund will have to come up with Kcs2.5bn.

"To do so, the fund will have to sell some of its assets. If all funds do this, the market could collapse and funds go bankrupt."

Bankers further believe that liquidity problems will be compounded by the funds' need to cover their costs. Investment funds are supposed to pay the fund managers, usually gathered in a holding company, a 5 per cent fee

Promise of a tenfold return is winning customers for Harvard Fund

on the value of fund assets. This is supposedly met from customers paying an entry fee into the fund and a yearly management fee.

However, in the words of one banker: "If about Kcs200bn of state-owned property become the assets of the funds via the voucher scheme, then 5 per cent equals Kcs10bn. The domestic market will not have this money and will have to rely on foreigners buying in or the whole thing may collapse."

In the view of HC&C's president, money should not be a problem. Mr Kozeny says he is setting up a credit enhancing facility with the help of foreign money. "Moreover, money could come from my other companies."

As the head of 13 companies, including a credit managing company charged with collecting bad debts among enterprises and a consulting company advising joint ventures, Mr Kozeny seems unruffled.

The lack of legislation governing the activities of investment funds has prompted officials to prepare a law which, they say, will be presented to parliament this spring. Investment funds at present are bound only by a few paragraphs on joint-stock companies in the Business Code which was adopted in parliament last November.

The new law should force funds to spread risks by investing the vouchers in at least 10 enterprises. Moreover, funds may not be allowed to acquire more than 20 per cent of a company's equity.

"But what", asks Mr Kozeny, "will prevent my other companies from also buying equity in a profitable local enterprise?"

At the Privatisation Ministry, an official laughs. "The Harvard Fund will end having to administer half the properties privatised this spring, which account already for half the country's companies. He will have to set up a new central planning commission."

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EUROPEAN NEWS

French choose liberté over fraternité

By Ian Davidson in Paris

France's Communist-led CGT trade union federation held a splendid party on Monday night for its departing first secretary, Mr Henri Krasucki, who is retiring at the age of 67. It was a distinctive send-off, in the form of a Mozart concert at the Opéra Comique in Paris, with extracts from *The Marriage of Figaro and The Magic Flute*. It should have given Mr Krasucki particular pleasure, since he is renowned in trade union circles for his passion for Mozart.

In the cold light of day, however, Mr Krasucki may not be all that sorry to be going. After all, his departure effectively completes a generational changing of the guard of the leadership of the three main French trades unions federations. In 1988 Mr Edmond Maire retired after 17 years as leader of the CFDT, and in 1989 Mr André Bergeron retired after 36 years as leader of Force Ouvrière.

Mr Krasucki, by contrast, has only been 10 years in the job; but it may be enough. For the plain fact is that Mr Krasucki leaves his union in a steep and apparently unstoppable crisis of falling membership.

In 1947 it claimed 4m members, before the schism with a socialist minority which broke away to form Force Ouvrière. In 1977 the CGT was *still claiming 2.3m members*, but by 1981 the total had shrunk to 1.9m members. In the past decade this decline has gathered speed, and even the claimed total membership is now no more than 855,000, and 200,000 of them are pensioners.

The two other main federations have also declined in recent years, though much less steeply than the CGT; but they are also both significantly smaller. In elections to works councils, according to official figures from the Labour Ministry, the latest score by the CGT was just under 25 per cent (compared *with over 36* per cent *in 1980*); whereas the CFDT scored under 20 per cent, and Force Ouvrière got under 13 per cent. In fact, the biggest single group of those elected to works' councils, is now the category of non-union candidates.

In other words, the CGT phenomenon of falling membership is part of a larger phenomenon which is affecting the general union scene in France; indeed, one might even say that the country is entering a crisis of residual trade unionism. According to the latest comparative study by the OECD, France now has the lowest union penetration of any member country – only 12 per cent. And that membership is disproportionately represented in the public sector, where it reaches 26 per cent, while dropping to a mere 8 per cent in the market sector.

In Scandinavian countries, union membership remains at near saturation levels. But many other industrialised countries experienced significant *falls* in union membership in the 1980s: this was true of Spain where it dropped by over 31 per cent, Britain (21 per cent) and Italy (18.6 per cent). But the drop was much the steepest in France: down 41.6 per cent, from 3.37m to 1.97m.

One general factor in declining union membership could be the relative decline of traditional smokestack manufacturing. But in France the acute problems of the CGT seem likely to be directly related to its connection with the Stalinist French Communist party, which is itself in free fall.

The paradox is that Mr Krasucki, who has presided over the steepest collapse, is normally held to be something of a reformist Communist; whereas his successor, the 58-year-old Mr Louis Viannet, has the reputation of an unreconstructed party hard-liner.

In his opening speech to the CGT Congress on Sunday, the be-spectacled Mr Viannet proclaimed the imperious necessity of "changing what does not work". But the changes will need to be spectacular if he is to bring the union out of its nose-dive.

Italian politicians scent wind of change

The referendum is emerging as the country's best reform tool, writes Robert Graham

PACKED into 230 boxes, papers containing 1.37m signatures calling for referendums on electoral reform of the senate and Italy's municipalities have just been despatched to the supreme court.

The signatures will now go through a lengthy process of scrutiny before being passed to the constitutional court which will pronounce on the legitimacy of the referendums demanded.

"This is a crucial stage because the constitutional court could well decide to reject them," says Mr Mario Segni, a Christian Democrat member of parliament who is one of the leading sponsors of these referendums. The Italian constitution only permits the principle of an abrogative referendum.

He knows this from bitter experience. In January last year the court rejected referendums on electoral reform of the senate and the municipalities similar to what is now being proposed, on the grounds that they were propositive. Only one was admitted, abolishing the multi-preference system of voting for the chamber of deputies, because it was abrogative.

This latter referendum was held in June and despite the hostility of the main political parties, which regarded it as a deliberate attempt to limit their traditional hold over the choice of candidates, 27m Italians gave an overwhelming endorsement.

"This vote changed the face of Italian politics. It was an enormous demonstration that the Italian electorate wants to change the present political structure," says Mr Segni.

He is not alone in such a view. A sizeable proportion of politicians across the party spectrum sensed the wind of change and put their individual names behind Mr Segni's new referendum campaign, which began in October and

Andreotti: centralised power and influence is under attack

whose first stage has just concluded with the collection of signatures.

Indeed, the referendum has come to be seen as the most effective tool of trying to force change on the ossified Italian political system.

No fewer than nine different referendums are being canvassed by a varied assortment of politicians and pressure groups. Starting with the 1974 referendum on divorce, this device has been traditionally exploited on very specific issues such as abortion, hunting and shooting, nuclear power (a 1987 referendum discarded nuclear power as an energy source). Never before has there been such a quantity of referendums promoted simultaneously with such overtly political aims.

The three canvassed by Mr Segni and his supporters are the broadest in scope. Two concern reform of the senate, discarding the existing system of proportional representation and introducing a hybrid – 268 of the 315 seats would be elected by a British-style first-past-the-post rule, while the remaining 77 would be elected on a proportional basis. The third Segni referendum proposes that in municipal elections the list with the most votes obtains three-quarters of the seats, and mayors should be directly elected.

If approved, electoral reform of the senate would tend to break up the existing multi-party structure and force the formation of larger political groupings. It would also oblige the parties to field competent candidates who could attract votes. In the case of local elections it would create greater local autonomy and accountability. Significantly, these reforms have been backed by Confindustria, the industrialists' association, and the church.

Another three referendums, proposed by a committee headed by Prof Massimo Giannini, an expert on administrative law and a former minister, are narrower in scope. But in all three cases the effect would be to limit the dead hand of government favours and interference.

One calls for abrogation of part of the law permitting government aid to the south so as to ensure future assistance only goes to productive investments; a second seeks to abolish the Ministry of State Shareholdings (currently controlled directly by Mr Giulio Andreotti, the prime minister, but liable to disappear as privatisation gathers pace), and the third wants to end the government's right to name the boards of savings banks by transfering the responsibility to their own boards.

The Radical party is sponsoring two more referendums. One is intended to abolish the 1974 law concerning the public financing of political parties.(This law, incidentally, was subjected to a referendum in 1978 and won 57 per cent of the vote, but has never been respected). The Radicals in alliance with green groups are also seeking to legalise the personal use of drugs via referendum. The ninth referendum, promoted by environmentalist groups, aims to remove environmental controls from the ambit of the health service. Mr Segni says that with the exception of the legalisation of drug use, *where there is a lot of* resistance within the country, all the others stand a good chance of being approved.

In order to prosper, a referendum proposal has to obtain more than 500,000 signatures within three months. "We have had a tremendous response up and down the country," he says. The campaigns have relied on mainly stands set up in big city thoroughfares manned by volunteers, with financing coming from private contributions to local committees. Only Mr Segni's Rome office has had a temporary staff of 15 with a L50m ($41,900) budget.

Critics of the campaign argue it risks producing limited reform of bits of the political system which will make it more complex to operate. However, the referendum proposals will almost certainly push the issue of political reform to the forefront of the debate in the general elections, due in April. They may also force the next parliament to pass legislation which heads off the referendums.

Some democracy fatigue sets in over the Alps

By Ian Rodger in Zurich

THE much-admired Swiss form of direct democracy, in which every important government decision must be ratified in plebiscites, appears to have run amok.

The Swiss will be invited to go to the polls four times this year to vote on perhaps a score of national issues, from vivisection to membership in the International Monetary Fund and the European Economic Area.

This is far beyond the normal level of plebiscites (there were votes on only four issues at the federal level last year) and suggests to many that the system is no longer be working properly.

Under the Swiss constitution, the federal parliament is required to submit all its important decisions to a vote. Moreover, any citizen may petition *for a referendum on a government decision* that he does not like. He may also petition for a plebiscite, or "initiative" as it is called, to decide whether a law should be withdrawn or amended. Provided the required number of signatures are obtained (50,000 to contest a government decision, 100,000 to launch an initiative), the plebiscites must be held.

The system has been lauded for promoting consensus and compromise in an ethnically diverse country, but there are signs that it is being abused by special interest groups and distorting the policy-making process.

The main problem is that, while Switzerland's population has nearly doubled since the system was established in 1892, the number of signatures required to force a referendum has remained unchanged (with the exception of 1977, when it was adjusted to take account of women's being given the vote). Thus, as all sorts of special *interest groups have discovered*, it has become progressively easier to raise the number of necessary signatures.

Another problem, which has also not escaped the attention of special interest groups, is that Swiss voters have a preference for voting against whatever is being proposed by the government. Fourteen have blocked government proposals. Among those defeated was the 1986 proposal that Switzerland join the UN and last year's proposal to subject Swiss citizens to value added tax. The success rate for initiatives is much lower.

Moreover, there is evidence that the average citizen is suffering from vote-fatigue. The average turnout in the past *couple of years for federal ref*erendums and initiatives has been only 43.6 per cent, with only significantly higher turnout for an issue that is close to the Swiss heart. Nearly two thirds of the electorate turned out in 1989 to express their view on the abolition of the Swiss army, and a surprisingly large minority supported the idea.

Political observers say these trends have begun to have an effect on the way the government operates. Whereas policies *used to be prepared in an* objective atmosphere by committees of civil servants, they are now subjected to political scrutiny at a very early stage to assess whether or not they are likely to attract a majority in a referendum.

Among this year's potentially troublesome plebiscites is that on whether the country should join the IMF. The Government has wanted to join for several years but only managed to get a decision through *Parliament last year. Now it* appears that an unlikely coalition of conservative isolationists and left-wing opponents of IMF pressures on developing countries will succeed in reversing the decision.

The proposal to cut the stamp duty on securities transactions perhaps illustrates best the weaknesses of the system. The Government has been loathe to give up this tax because it is a large source of revenue, but revenues have been declining recently because, whenever possible, Swiss securities avoid the duty by executing their trades in London or Luxembourg.

Opponents of a Swiss government plan to build a new railway through the Alps have failed by a whisker in their petititon to force a referendum on the issue. They gathered only 49,380 signatures, 620 short of the minimum required.

This may be good news for *those concerned about* Switzerland's relations with its European neighbours, but the Swiss ecology party, which sponsored the petition, was obviously not: it said that its failure was due to late delivery of signatures from some districts and that it was considering an appeal to the courts.

Palestinians snub Moscow Mideast talks

By Roger Matthews and Tony Walker in Moscow

EFFORTS continued in Moscow last night to draw the Palestinians back into Middle East peace talks after they boycotted the opening of the third stage multinational forum.

The Palestinians refused to attend following an argument with the US-Russian co-sponsors over the representatives nominated by the Palestine Liberation Organisation.

Mr James Baker, US secretary of state, regretted that the Palestinians had stayed away but later hinted at a possible compromise that might enable wider Palestinian participation.

The leader of the Palestinian delegation, Mr Faisal Husseini, announced the boycott decision just moments before Mr Baker opened the conference. "We decided not to go because the Americans did not accept our formula," Mr Husseini said after meeting US and Russian officials.

Mr Baker did not mention the Palestinian boycott in his opening remarks. The US official told delegates the meeting would send a powerful signal that Arabs and Israelis were unequivocally committed to peace and reconciliation and he proposed a number of confidence building measures aimed at reducing regional tensions.

These included assistance with disarmament programmes and the establishment of "early warning" mechanisms to prevent conflict. He also mentioned international assistance for refugees. Some 2m Palestinians are classified as refugees.

The Moscow Forum has brought together 26 delegations, including those representing the European Community, China, Turkey, Japan and Gulf and North African Arab states, for discussions on wider Middle East issues such as disarmament, economic development, water and the environment.

Syria and Lebanon have boycotted the Moscow talks, saying Israel has not shown any willingness to negotiate "land for peace" issues at the bilateral sessions. The Palestinian withdrawal means that only Jordan and Egypt among Israel's close neighbours are participating in Moscow.

Holding out the prospect of wider Palestinian participation in the multilateral talks, Mr Baker said: "We told the Palestinians we'd be supportive of representation by diaspora Palestinians in working groups where that representation was appropriate."

Mr Yassir Abed Rabbo, a member of the PLO executive committee, said in Moscow last night that Palestinians were anxious to participate but would not compromise on the representation issues.

The PLO had insisted that Palestinians from Arab East Jerusalem and the Palestinian diaspora be included in a joint Jordanian-Palestinian delegation, but the US-Russian co-sponsors insisted the "Madrid formula" should apply to Palestinian representation in Moscow. In Middle East peace talks in Madrid last October, representation was restricted to Palestinians from the West Bank and Gaza Strip – Arab land occupied by Israel in the 1967 war.

South African neo-Nazi leader Eugene Terreblanche with other leaders of the Afrikaner Resistance Movement after being freed on bail yesterday

S Africa police arrest white extremist leaders

By Patti Waldmeir in Cape Town

SOUTH AFRICAN police yesterday arrested 10 white extremist leaders, including Mr Eugene Terreblanche, leader of the neo-Nazi Afrikaner Weerstandsbeweging (AWB), in connection with violence which erupted last year when the AWB held a protest against the government's political reforms.

The arrests could provoke further violence from the extreme right, which has become increasingly radical as Pretoria moves ever closer to sharing power with blacks in an interim government.

The extreme right, including the parliamentary opposition, the Conservative party, has refused to participate in multi-party talks to draw up a post-apartheid constitution, insisting on a return to classic apartheid.

In his speech at the opening of parliament last week, President F.W. de Klerk tried to split the Conservatives by offering to discuss the notion of a separate white homeland in the multi-party talks. Some fringe groups will now enter the talks on that basis, but it seems unlikely that the Conservatives – or any big faction of the party – will do so at this stage.

Mr Terreblanche and nine other leaders of the AWB (its name means Afrikaner resistance movement) were picked up by police at their homes early yesterday, and were later released on bail. They are to be charged with causing public violence when they attempted to disrupt a public meeting addressed by Mr de Klerk in the western Transvaal town of Ventersdorp.

Two AWB members and a black passer-by died when about 300 AWB members clashed with police. Mr Terreblanche told a press conference last week that he could prove that police had opened fire in Ventersdorp without provocation. Ventersdorp is Mr Terreblanche's home town and the headquarters of his movement.

The clash proved the loyalty of the South African police – many of whom hold right-wing political views – to their commanders. But it also highlighted the threat posed by the right: as there is no constitutional means of removing Mr de Klerk from power (because of the ruling Nationalists' large majority in parliament), white terrorism could become the only outlet for dissent.

Protests over influx of Burmese refugees

INDIA has strongly protested to neighbouring Burma over the influx of some 850 refugees, urging Rangoon to take immediate steps to enable them to return, a foreign ministry spokesman said yesterday, Reuter reports from New Delhi.

The influx of refugees into India's north-eastern Nagaland state follows a crackdown by Burmese troops on militants of the National Socialist Council of Nagaland (NSCN).

The NSCN, which has bases in Burma's border areas, opposes New Delhi's rule in Nagaland state.

"Following the clashes, as well as harsh action reportedly taken," the spokesman said, "a large number of villagers have crossed into India."

The Burmese crackdown on NSCN bases appears to be part of a broad offensive against a number of rebel groups, including Karen rebels along its border with Thailand, Moslem guerrillas on the Bangladesh border, and Kachin insurgents in north-western Burma.

Indian military intelligence sources said some 150 people had been killed over the past month in heavy fighting between Burmese troops and Naga separatists in north-western Burma.

The sources said troops were using napalm rockets fired from helicopter gunships to soften up the Naga guerrilla defences in Burma's Sagaing district.

They said that four of seven Naga camps in Burma had been overrun, and two others had been abandoned, while the remaining Naga base, which is being defended by 300 guerrillas, was being attacked by two Burmese regiments.

The Nagas have linked up with Kachin rebels who have given them arms and training, the sources said.

"The offensive against the NSCN may be a prelude to a bigger and more co-ordinated offensive against the Kachin rebels," said a senior Indian Army officer, in Guwahati, capital of India's north-eastern state of Assam.

"The capture of the Naga area will allow the Burmese army to widen the front for a massive infantry assault on areas held by the Kachins."

Tensions between Burma and Bangladesh – which shares borders with India's north-eastern states – have heightened over alleged atrocities by the Burmese army against Moslems in Burma's western Arakan state.

Some 65,000 Moslem refugees have streamed into Bangladesh over the past two months, saying Burmese soldiers have burned their homes and arrested thousands of young men.

Israel worried over Iran's nuclear plans

By Hugh Carnegy in Jerusalem

ISRAEL, for years a discreet partner with Iran against Arab powers, has begun to voice concern over Tehran's military ambitions, saying it is in the early stages of developing a domestic nuclear weapons programme similar to that pursued by Iraq.

This week, the defence establishment has alleged publicly that unspecified German and other European companies, some of whom previously co-operated with Iraqi non-conventional arms projects, were now working in Iran.

"Israel will not remain inactive on the subject of German and European aid to Iran in the development of nuclear and chemical weapons and will not remain indifferent to the active threat of an extreme and unpredictable regime," Mr Eliyahu Ben Elisar, chairman of the Knesset foreign affairs and defence committee, told Ha'aretz newspaper.

In the past, notably during the reign of the late Shah, Israel itself traded oil, arms, equipment and technological know-how with Iran, which it cultivated as an important regional counterweight to Arab states. Contacts survived the Shah's overthrow, despite the advent of the virulently anti-Israeli Khomeini regime, and Israel continued to supply arms during the Iran-Iraq war.

In late 1989, the US confirmed Israel had bought oil from Iran in a deal linked to efforts to win the freedom of Israeli servicemen held by pro-Iranian groups in Lebanon.

Now, however, with those efforts still frustrated, officials say they are worried by Iranian ambitions to become a dominant regional power, filling the vacuum left by Iraq's defeat in the Gulf War a year ago. Their concern has been heightened by Iran's opposition to Middle East peace talks, which most Arab states have accepted, and its efforts to forge ties with Islamic former Soviet Asian republics.

In off-the-record briefings, military sources have said Tehran is in the early stages of a nuclear programme which, if successful, could produce an "Islamic bomb" by the end of the decade. They say it is modelled on the Iraqi efforts to acquire foreign technology.

They say Iran is seeking co-operation with China and Pakistan, having ordered a small reactor and acquired a "calutron" isotope isolation device from Beijing for research purposes. It is also trying to buy a 5-10 megawatt reactor from India.

The sources say Israel has no evidence that Soviet nuclear scientists have been brought to Iran, as some reports have suggested. But they say links have been made with European companies - which they did not name – for the supply of equipment with nuclear uses.

Israel is also worried by Iran's conventional forces. The sources say Tehran acquired "several dozen" 500km-range, Scud-C ballistic missiles from North Korea last year to add to its shorter-range Scud-B rockets, and has plans to acquire longer-range missiles.

Iran, the sources say, has shown no sign of giving back more than 100 Iraqi jets whose pilots flew them across the border during the Gulf War.

Algerian party split on changes

ALGERIA'S former ruling party, divided by the collapse of a three-year experiment in democracy, decided yesterday to call a national conference, Reuter reports from Algiers.

The National Liberation Front central committee, which began an emergency meeting on Saturday, failed to decide whether to support the nation's new rulers and whether the party's leadership should be changed.

FLN secretary-general Abdelhamid Mehri was a supporter of former President Chadli Benjedid's democratic reforms, which were scrapped after Islamic fundamentalists gained an unbeatable lead in the country's first multi-party parliamentary election.

Many in the party want to endorse this month's army-backed upheaval in which Mr Chadli resigned, the half-finished election was cancelled and fundamentalist preachers were ordered to keep politics out of the mosques.

The new FLN meeting will include central committee members and representatives of the rank and file.

Mr Mehri suggested yesterday that the emergency meeting be suspended and the conference held.

"If the central committee wants me to announce my resignation to facilitate things, I am ready to do so," he told the committee.

He has faced a barrage of criticism from party ranks after he described the new presidential council, headed by formerly exiled FLN dissident Mohamed Boudiaf, as unconstitutional, and held talks with Islamic fundamentalists.

He first suggested the 15-man political bureau he heads should resign en masse, but at a session on Monday offered only his own resignation.

The BBC, quoting Algiers radio, said early yesterday the FLN political bureau had resigned. Committee members said no decision on a leadership change had been taken.

Africa's economic success story encounters a darker chapter

Thriving Botswana is facing harder times, writes Caroline Webb

AFTER MORE than two decades of substantial growth, Botswana's economy is having to adapt to harder times.

The diamond boom that boosted growth is levelling out, efforts to encourage development of the non-mineral sectors of the economy face formidable hurdles, and unemployment is rising.

Judged by yardsticks applied to the rest of the continent – or elsewhere for that matter – Botswana continues to thrive. After 25 years of independence, the country remains a stable multi-party democracy, with a hard currency and GDP growth over the past two years of around 7 per cent.

But this figure is less striking when compared with the 13.5 per cent rate in 1988-89, and the nearly 16 per cent annual average achieved between 1968 and 1978.

Diamond revenue, making up nearly 50 per cent of GDP and about 80 per cent of export earnings, may have reached a plateau. Low prices are expected to offset the recent expansion of Jwaneng diamond mine.

"Any growth in revenues from diamonds in the medium term will have to come from increased values rather than increased volumes as in the past," says Mr Festus Mogae, the minister of finance.

The dominance of diamonds will be reduced when the \$490m Sua Pan soda ash plant, opened last year, reaches its capacity of 300,000 tons of soda ash and 650,000 tons of salt annually. But this will not be until the mid-90s, and most of the export receipts in the intervening years will be used to repay loans.

Meanwhile the country's 1.3m population is growing at 3.5 per cent a year, producing 25,000 new work-seekers a year.

The Financial Assistance Policy has been providing grants for new or expanding businesses since 1982, establishing more than 20,000 jobs.

Agricultural potential is limited in a country that is largely arid, while there are increasing environmental problems caused in part by the country's 2.6m cattle herd.

Hence the warning in the National Development Plan for 1991-97 that the past rate of economic development cannot be sustained.

Accumulated reserves, which reached \$3.3bn in mid-1991, the equivalent of around two years' imports, will cushion the belt-tightening strategy outlined in the plan, the seventh since independence in 1966. Nevertheless tougher times lie ahead.

What Mr Mogae calls a transition to "more moderate and sustainable growth" includes cuts of more than 40 per cent in development spending in the second half of the plan period.

By reducing government spending on administration, nationalised industry and parastatals, which together employ well over a third of the workforce, Mr Mogae hopes to free enough funds to restore development spending to previous levels – but not until 1997, when the next development plan will be in place.

The impetus for growth in the coming years, say government officials, must come from the non-mineral private sector.

In an attempt to stimulate the sector, the government has provided incentives for would-be domestic and international investors in Botswana. The Financial Assistance Policy (FAP) has been providing grants for new or expanding businesses since 1982, establishing more than 20,000 jobs.

The incentive package offered to foreign companies in the export-processing-zone mining town of Selebi-Phikwe includes a grant covering half the costs of training citizens over the first five years.

It has so far attracted three textile companies, which have invested 10m pula (\$5.43m), and provided jobs for more than 1,600 people. The scheme is expensive, with the Bank of Botswana estimating an eventual P18m cost. But if it can survive competition from South Africa and boost non-mineral exports, it will be worth the price, say officials.

Past efforts in job creation, however, have a mixed record. Many of the smaller-scale projects using FAP resources have failed. Officials running the programme blame "general lack of business acumen, especially in the areas of finance and marketing". Low labour productivity and lack of local managerial experience are recognised as serious obstacles to private-sector expansion.

But private-sector ambitions must take into account the industrial dominance of neighbouring South Africa.

Ultimately, Botswana's medium- to long-term prospects depend on political stability in the region, and that rests on developments in South Africa.

Libya offer on bomb suspects

LIBYA said yesterday it was ready to hand over two Libyan suspects in the bombing of US and French airliners to any international commission, Reuter reports from Ankara.

The UN Security Council this month ordered Tripoli to hand over two Libyan agents indicted in Scotland and the US for the 1988 bombing of an airliner over the Scottish village of Lockerbie, in which 270 people were killed.

France wants Libya to co-operate with an inquiry into the 1989 bomb explosion on a French UTA airliner over Niger, which killed 171 people.

Arab investment warning

A LEADING Gulf business figure yesterday told other Arabs hoping for handouts from Gulf countries that investing in their economies was a waste of money, Reuter reports from Abu Dhabi.

Mr Haj Abdullah al-Mohairbi, chairman of the Abu Dhabi Chamber of Commerce and Industry, said: "With the exception of the Gulf monarchies, the rest of the Arab world is bad for both short- and long-term investment."

Political instability "discourages potential investors from throwing their money into these troubled regions."

Similar views are increasingly heard in private conversations but few have expressed them so openly.

"Name one Arab country that enjoys full security and stability and both the public and private sectors in the Gulf states would not hesitate to invest their money and resources in it," said Mr Mohairbi, who is also the deputy speaker of the United Arab Emirates Consultative Council.

"Following the invasion of Kuwait...Gulf states became convinced that prospects for investing in non-oil-producing Arab countries did not exist."

India's jute workers strike for more pay

NEARLY 140,000 workers in 53 jute mills in West Bengal, India, went on strike yesterday for more pay, writes Kunal Bose in Calcutta.

Trade unions have supported the strike but have exempted the five jute mills owned by the government and a unit managed by a workers' co-operative.

The Indian Jute Mills Association (IJMA) said jute mill workers' wages compared favourably with those prevailing in other industries.

It admitted that eight jute mills were paying substantially lower wages in violation of a 1988 pay agreement. But these were not members of the IJMA. The IJMA wanted rises tied to productivity.

Iran backpedals on economic reform

Political pressures are forcing Rafsanjani to raise subsidies, says Scheherazade Daneshkhu

IRAN'S attempts to control inflation and introduce a free market economy are taking a step backwards with political considerations forcing the government to double subsidies to ease the plight of the poor.

The draft budget, being debated in the majlis (parliament) for the new Iranian year starting on March 21, raises spending on subsidies to 1,200bn rials (\$17bn at the official exchange rate of 70 rials to the dollar but \$857m at the free market rate of 1,400 rials).

The proposals run counter to IMF plans to liberalise the economy and have brought the central bank governor to the brink of resignation. He says the budget will boost inflation and result in chaos.

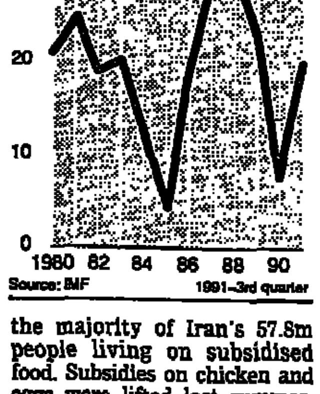
President Hashemi Rafsanjani has conceded that the 12 per cent of the 10,000bn rial budget which will go on subsidies is "a notable share".

Although nominally committed to reducing inflation, Mr Rafsanjani said, "even though we took utmost care in all areas to reduce or limit current expenditure to the level of inflation, in this case [subsidies], we were forced to endure this problem for the sake of the vulnerable strata."

The "vulnerable strata" is

Iranian inflation

Annual % change in consumer prices



Source: IMF

the majority of Iran's 57.8m people living on subsidised food. Subsidies on chicken and eggs were lifted last summer, and the price of chicken shot up from 150 rials a kilo to 1,900 rials.

Last year saw incidents of unrest and rioting prompted by economic discontent. The government tried to appease the rioters by promising to raise the annual bonus for workers to the equivalent of three months' pay.

Another "vulnerable" group is the country's 2m or so public sector employees whose fixed incomes have made them one of the hardest hit in Iran's inflationary economy. Many take second jobs to make ends meet. The budget calls for large increases in their salaries, costing 850bn rials or 8.5 per cent of the budget.

These two measures contradict Mr Rafsanjani's stated aims of eliminating price controls and reducing inflation. It also goes against the International Monetary Fund's guidelines on introducing a free market economy by devaluing the rial through eliminating the country's three-tiered exchange rate system.

Iran and the IMF have been talking for two years on rebuilding the economy. One issue is the practice whereby dollars are sold to some ministries and affiliated organisations at the highly overvalued official rate for the import of 32 "basic" commodities. The artificially strong rate is criticised for acting as an import subsidy leading to distortions in the economy. It makes it impossible for the private sector, which has to use the free market rate, to compete with the government.

The privileged rate also exacerbates political and economic corruption. Last November, Mr Mohammad Hossein Adeli, the central bank governor and a keen proponent of stricter monetary policies, said one government-affiliated institution was being prosecuted for selling dollars obtained from the government at 70 rials, for 200 rials.

He said the rate encouraged political favouritism: "We should not discriminate between the state sector and private sector, between those who have political connections and those who have not, those powerful and those powerless," he told the Tehran daily *Ressalat*.

The second exchange rate, the "competitive" rate of 600 rials to the dollar is also used by ministries and their affiliates. Mr Adeli and Mr Mohsen Nurbakhsh, the economics and finance minister, have said they want to unify – the official euphemism for devaluing the rial – the exchange rate by next year.

They hope the rial will settle to a single level of 1,000 to the dollar, 400 below the third rate, known as the floating rate which hovers 30 rials below the black market rate. Only 10 per cent of foreign exchange dealing is conducted at the floating rate even though it is the most realistic.

Mr Adeli reportedly threatened to resign when the budget proposals, which he termed "political", were unveiled. He was harshly critical of its inflationary aspects, particularly as inflation has doubled in the past year from 9 to 18 per cent. Mr Adeli warned: "If this plan is put into force, it will only result in chaos."

The goal of unifying exchange rates next year now seems hopelessly unrealistic. Mr Rafsanjani has, for the meantime, rejected suggestions by Mr Adeli to abolish the official exchange rate as the first step towards unifying exchange rates.

Mr Rafsanjani recognised subsidised prices as "a very serious problem" last year but has not found a way of cushioning the blow to the poorest – the "barefooted" – in whose name Ayatollah Khomeini's revolution was carried out.

"Because for years we acted wrongly, we cannot deliver a shock all of a sudden and say that it will immediately be the real prices," he said.

With majlis elections due on April 10, Mr Rafsanjani is in no mood to alienate voters or to risk further unrest. He hopes the election will strengthen his support in the majlis at the expense of the radical faction, which is critical of his foreign and economic policies.

Health care fracas leaves Darman bruised

Lionel Barber on the budget director's embarrassing row

Richard Darman: prides himself on long-term thinking

MR Richard Darman, the most talented, original and mistrusted member of President George Bush's cabinet, has long been riding for a fall.

This week Mr Bush's budget director finally stumbled, the victim of a congressional Republican revolt over health care proposals included in the president's fiscal 1993 budget.

Mr Darman personally penned the proposals, which included taxes on the richest Americans whose employers pay for their health insurance. On Monday, just as the printing presses were rolling, Mr Samuel Skinner, the new White House chief of staff, ordered deletions from offending passages.

The embarrassing last-minute changes amount to more than a power struggle between Mr Darman and Mr Skinner, who wants to curb the budget director's influence on domestic policy.

The order to "stop the presses" goes to the heart of the Bush administration's dilemma ahead of the November 1992 election: how to reconcile the short-term political requirements of ensuring the president's re-election with the need to tackle the country's long-term problems, such as health care.

About 37m Americans have no health insurance. Yet federal spending on health care entitlements is growing at an explosive rate, undermining efforts to reduce the budget deficit, likely to reach $360bn (£198.8bn) this year. At the same time, Democrat presidential candidates have made health care reform one of their campaign centre-pieces.

Under Mr Darman's original plan, the government would have taxed as income a portion of the employer-provided health benefits for Americans earning between $100,000 and $125,000, and charged the wealthy higher premiums for Medicare, the public-sector scheme for the elderly. This would have helped to fund tax credits for poor and middle-income Americans to buy insurance or offset insurance costs which employers failed to cover.

Mr Darman, who prides himself as one of the few long-term thinkers in the administration, argued that his proposals would preserve the pay-as-you-go principle set down in the 1990 budget reduction agreement with Congress. But congressional Republicans, angry at the lack of consultation, called the plan naïve.

In part, these suspicions are a legacy of the 1990 budget accord which included tax increases supported by Mr Bush. Conservatives accuse Mr Darman and Mr John Sununu, then White House chief of staff, the two architects of the accord, of betrayal. Many congressional Republicans believe that forfeiting the "no new taxes" pledge cost them their best re-election card.

Another factor fuelling resentment is that Mr Darman – in the words of one White House colleague – "has controlled virtually every single comma on the domestic agenda". His skill at the bureaucratic game helped ensure huge influence in an administration where the president's mind has often been focused on foreign affairs.

Since moving in as chief of staff, Mr Skinner has made clear his determination to broaden the circle of advisers to the president and beef up the White House domestic policy unit. Inevitably this means cutting Mr Darman down to size; the health care fracas looks like the first of several bruising clashes.

Clinton 'circus' turns spotlight on US media

Serious policy issues are being ignored in the pursuit of a sex scandal, writes George Graham

US newspapers and television stations have spent the last few months proudly declaring that for this presidential election, at least, they wanted to focus on issues.

This week they scuttled to redefine as an issue unsubstantiated allegations of infidelity against Governor Bill Clinton of Arkansas, the early front-runner in the race for the Democratic nomination.

As a result, three weeks from the crucial New Hampshire primary, Mr Clinton's alleged adultery with Ms Gennifer Flowers, a former Arkansas state employee, has displaced unemployment, tax cuts and health care from the top of the media's political agenda.

It has turned into what Mr A.S. Rosenthal of the New York Times newspaper calls "the print and TV sexual examination that is the monument to American immaturity and prurience".

High-minded journalists like Mr Ted Koppel, of ABC's Nightline news programme, insisted they were not discussing the story, only the issue. But the "quality media" have for the most part contrived to have their cake and eat it.

The Washington Post, for example, concluded in its editorial that Mr Clinton, governor of one of the smallest and poorest states in the country, had given answer enough and that it was time to get on with the campaign. It backed this up with no fewer than seven other articles on the subject.

Cable News Network, meanwhile, declined to broadcast tape recordings supposedly documenting Mr Clinton's love affair, on the grounds that they had not been verified, but broadcast the equally unverified allegations in a live press conference of Ms Flowers, who says she was the governor's lover for 12 years.

The allegations will continue to be aired wherever Mr Clinton travels, for at every campaign stop local newspaper and television reporters will ask him the same question.

"Quality" news organisations in the US have not resolved many of the problems in their relationship with tabloid journalism – which in the US reaches heights of imagination undreamt of by the UK's Sun or Daily Mirror.

The Star, a US supermarket tabloid which paid for Ms Flowers' story, is somewhat less bizarre than competitors such as the National Enquirer; it retails more celebrity sex and miracle diets, and fewer rapes by Martians and sightings of Elvis Presley.

Yet many upmarket journalists seem frightened of appearing less bold and uncompromising than their tabloid competitors, worried that they might be caught in a cozy conspiracy to hide the truth from their readers.

And they can repeat the Star's allegations with impunity, for the US's libel laws make it almost impossible for a public figure to win a suit, even if allegations against him or her are proved false.

Most of the top newspapers say that affairs long past are not germane to the political campaign. Only if Mr Clinton lied or engaged in current and flagrantly inappropriate conduct of the kind that drove Senator Gary Hart from the election in 1987, would the allegations become relevant once again. Yet almost all sent reporters to Arkansas months ago to check, unsuccessfully, on rumours about these same affairs.

Gennifer Flowers weeps in front of photographers during a New York press conference

The effect on the political campaign may become clearer after the New Hampshire primary next month, the first in this election season.

Many voters may agree with Mr David Broder, the Washington Post's political columnist, that the Clinton circus represents "the latest, but surely not the last, step in the degradation of democracy by televised image-making".

In this vast country, however, voters know so little about any of the candidates that they may grasp at any straw to find out who they are voting for.

Few candidates would trade places with Mr Clinton today, but he may console himself with the thought that voters have now seen something of his personality, even if they have not had a chance to examine his policies.

Consumers still gloomy over US economy

By Michael Prowse in Washington

US CONSUMER confidence slipped this month from already depressed levels in December, indicating the economy remains in the grip of recessionary forces.

The Conference Board, a New York business consultancy, said its closely followed index of confidence fell to 50.4, compared with 52.5 last month and 76.1 as recently as August.

The dip surprised many analysts who had forecast a marginal gain in confidence. An index of business sentiment released this week had also pointed to some improvement in confidence among manufacturers.

Consumer confidence is below the level registered during the Gulf war and the deep 1981-82 recession.

Mr Fabian Linden, the board's director of consumer research, said the public "remained uneasy about present conditions and uncertain about the future."

Economic recovery could not occur without "a marked improvement in consumers' spirits and their willingness to spend."

The board's survey of 5,000 households indicated that lack of confidence was closely related to poor employment prospects. Nearly one in four of those surveyed said someone in their household had experienced a jobless spell in the previous 12 months.

Of those who had recently found new jobs, 45 per cent said they were earning less money than in their previous position.

The survey indicated that 40 per cent of all households had deferred big purchases in recent months because of fears over the economy.

The latest figures showed that consumers were gloomier about both current conditions and future prospects than in the closing weeks of last year.

Cavallo optimistic of debt breakthrough

By John Barham in Buenos Aires

MR Domingo Cavallo, Argentina's economy minister, promises that when he faces the country's bankers in New York tomorrow for the first round of formal debt talks, his proposals will be "realistic, complete and very close to what we expect to be the final agreement."

Mr Cavallo wants to restructure Argentina's $37bn (£20.4bn) commercial bank debt this year, a decade after the debt crisis began. Argentina is now paying only $60m a month in token interest payments and has accumulated more than $8bn in interest arrears.

However, before talks can advance Mr Cavallo must finalise negotiations with the International Monetary Fund for a three-year extended fund facility loan.

The IMF is reported to be offering about $2.6bn, while Argentina is demanding $3.5bn. The Argentines also want as much of the loan as possible to be paid out quickly, whereas the IMF is more cautious.

The IMF is expected to announce today how much it will lend. The facility should unlock more loans from the World Bank, the Inter-American Development Bank and the Japanese government.

Argentina hopes these loans, plus available central bank reserves and $1.8bn in privatisation receipts, will add up to the $5bn-$6bn needed to finance a reduction in the bank debt. This would be done by offering banks a range of options, including:

- Replacement of old loans for bonds bearing a fixed, low-interest rate, or for bonds with full market interest rates but which are worth less than the original loan. Payment of these bonds will be guaranteed by US Treasury bonds. Bankers want as small a discount as possible. Mr Cavallo has been advised to demand a 50 per cent reduction.
- Cash payment of part of the $8bn in arrears, with payment of the balance to be refinanced. The more the banks receive in cash, though, the less will be available to buy guarantees for the bonds.
- Permission from banks for Argentina to buy its loans back in the secondary debt market. Mr Cavallo said he might swap debt for Argentine government bonds, which could be cashed in for shares in state companies as they are privatised.

The minister's presentation to the IMF states that GDP will grow 39 per cent to $196bn in 1994. Net interest payments on all Argentina's debts would be equivalent to about $250m a month, while principal would be repaid with privatisation revenues.

WORLD TRADE NEWS

Asean members sign pact on area tariff cuts

By Victor Mallet in Singapore

THE SIX members of the Association of South East Asian Nations (Asean) signed a mutual tariff reduction agreement yesterday at the end of their summit, and said they wanted an Asean free trade area in 15 years or less.

But the low level of intra-Asean trade, and the inclusion of clauses allowing individual countries to exempt sensitive products from the tariff cuts, suggest the pact's success depends more on Asean's determination than on the small print.

Mr Anand Panyarachun, Thai premier and the pact's promoter, said he would ensure that Thailand's tariffs for manufactured products imported from Asean (grouping Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei) were no more than 30 per cent by the start of next year. He promised to try to cut them to 20 per cent by 1994, and to reduce rates for the 15 sectors chosen by Asean for accelerated cuts to below 5 per cent as soon as possible.

Ms Rafidah Aziz, Malaysia's international trade and industry minister, said the country had identified numerous products for which Malaysian tariffs could be set at 0-20 per cent next year; cars and probably cement would be excluded for the time being. Manila also wants to be exempted from tariff cuts on cement.

The agreement on the common effective preferential tariff (CEPT) scheme, linked to a more general economic co-operation pact, is restricted to products with an Asean content of at least 40 per cent and covers manufactured, processed agricultural and capital goods but not agricultural raw materials. Starting on January 1 1993, tariffs are to be cut to 20 per cent within five to eight years, preferably year by year, and the aim is for the tariffs to fall below 5 per cent in the subsequent even years.

Governments can move faster if they want, but they can also put "sensitive" products on an exclusion list, or use "emergency measures" to suspend tariff preferences if imports threaten to cause "serious injury" to a domestic economic sector.

But Asean members agreed to scrap quotas for CEPT products, end other non-tariff barriers for CEPT products within five years, and make exceptions to foreign exchange curbs to allow payments for CEPT products.

EBRD drops loan curbs on ex-Soviet republics

THE European Bank for Reconstruction and Development (EBRD) is dropping lending curbs on the former Soviet Union after economic reform pledges by most of the new republics, Judy Dempsey reports.

The EBRD will now be able to exceed loans equalling an annual Ecus 36m (£25.7m). This amount was supposed to match the former Soviet Union's annual contribution, expected over five years to provide $200m to the EBRD's subscribed capital, and amounting to one-third of the Soviet Union's long-term commitment of $600m.

"But now that six republics [apart from the Baltic states] have applied to join the EBRD, we had to revise our restrictions on lending," an official said yesterday. Russia, the Ukraine, Kazakhstan, Belarus, Uzbekistan and Tajikistan were seeking membership.

EBRD lending curbs on Moscow, largely at the insistence of the US, the biggest single shareholder, were for three years. Despite pressure from west European governments to increase the ceiling, the US wanted the EBRD to concentrate on lending to the fledgling private sector, rather than Soviet state-run projects.

'Little benefit' in FTAs for Latin America

Stephen Fidler looks at a report querying the gains in more open access to US markets

THE benefits to most Latin American countries of free trade pacts with the US are likely to be small, according to a new World Bank study*.

The report questions some gains expected by the many Latin governments seeking freer trade with the US. Some 16 Latin American governments, led by Mexico, have signed framework pacts with the US as a first sign of their intent to seek free trade accords. There are parallel efforts to seek free trade accords among Latin countries themselves.

Except Brazil or Mexico, most countries stand to gain less from the free trade agreements (FTAs) than does the US, the report finds. It suggests free trade pacts within Latin America should be a higher priority than with the US for most countries, because "Latin American countries probably stand to gain significant long-term export benefits from reduced trade barriers among themselves.

"The main incentive for the Latin American countries to form FTAs with the US may be to attract investment or halt the spread of new trade restrictions," says the paper, written by two World Bank economists, Mr Refik Erzan and Mr Alexander Yeats.

It sees dangers for Latin America as a whole in haphazard free trade negotiations with the US, because such FTAs would give advantages to US exporters over exporters from other Latin countries.

"It is possible that a series of FTAs could be negotiated that would provide the US with preferences that convey a major competitive advantage over other countries in the region," it says. "As a result, Latin American countries may be better off joining a customs union rather than a free trade arrangement." A customs union involves members setting up a common outside tariff which does not exist in an FTA.

The study concludes that "a US FTA with Mexico would greatly influence Mexico's trade with other countries, even if those countries also have an FTA with the US." Most of this impact would be on exports from countries outside Latin America: an exclusive US-Mexico FTA would displace about $440m (£243m) of other countries' exports, but only $28m of these would be from Latin America. Gains to Mexican exports, based on 1986 figures, would be $1.6bn.

Overall, full FTA preferences with the US would raise Latin American exports 8-9 per cent. But the expansion of Mexico's exports would exceed those for all other countries combined and "Mexico plus Brazil together account for almost 90 per cent of the total gains."

The report suggests a modest impact because of the small percentage of Latin American exports to the US affected both by an important tariff of greater than 5 per cent and a non-tariff barrier.

Only 1.7 per cent of Chile's exports are affected by both, 8.5 per cent of Mexico's, 10.7 per cent of Argentina's, 12.6 per cent of Brazil's, 0.7 per cent of Venezuela's and 10.4 per cent of Colombia's, against 55.1 per cent of South Korea's exports, 56.4 per cent of Hong Kong's and 21.4 per cent of Singapore's

The authors make no formal study of the potential for the expansion of US exports, but their comparisons suggest "US trade gains, particularly for highly-protected transport and machinery products, are likely to be considerably greater than those for Latin America in the US market".

This is because during the study period, average level of tariff protection is higher than in the US. The report makes no assessment of recent significant tariff cuts introduced over the past 12 months by various Latin American governments.

Trade gains for Latin America would be even more limited if no parallel action is taken to remove US non-tariff barriers, which are particularly important for countries such as Uruguay, which has a heavy concentration of textile and clothing exports.

But if textile quotas for other countries continue (under the so-called Multi-Fibre Arrangement, MFA) and they are lifted for Latin American countries under FTAs, there is a large potential for Latin America to replace far eastern and other suppliers as exporters to the US. However, as the report suggests, a phase-out of the MFA as part of the current Uruguay Round trade talks and the likely transitional arrangements for textiles in any conceivable FTA with the US would probably limit the impact.

The report will be seen as having two main limitations. It addresses only the direct trade implications of FTAs and the economic model used by the economists is limited, for example in its ability to assess the impact of non-tariff barriers. Further, some governments are already stressing the importance of non-trade gains of FTAs. The Mexican administration, for example, sees an accord providing a spur to investment flows and making it harder to reverse its economic reform programme.

**Free Trade Agreements with the US: What's in it for Latin America?" 66pp; free from the World Bank, 1818 H Street NW, Washington DC 20433. Contact Jean Jacobson Room S7-037*

STATISTICAL COMPARISON BETWEEN THE EC AND THE AMERICAS 1989

	EC	The Americas
Population (millions)	343	715
Total GDP ($ billions)	5,304	8,608
GDP per capita ($ thousands)	15	9
Merchandise exports ($ billions)	1,127	619
Merchandise imports ($ billions)	1,109	730
Intertrade ($ billions)	680	294

Source: Inter-American Development Bank

Congress 'could agree on Round this year'

By Nancy Dunne in Washington

CONGRESS could find time to approve a Uruguay Round package this year, but key members of the coalition favouring trade liberalisation would have to be satisfied by changes in the draft text, a senior congressional staffer said yesterday.

However, the draft submitted by Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade (Gatt), would first have to be improved, and market access talks would have to produce big incentives if US business is to sign on.

The coalition expected to lobby for the Round has three parts: businesses needing rules in the "new areas" – services, intellectual property rights, and investment; agriculture; and basic manufacturing, which has submitted "zero for zero" tariff cut proposals.

Some tariff cuts have been approved, but others remain unfinished. Meanwhile, the services industry coalition has not taken a definitive position on the Dunkel draft.

There is considerable worry about getting sufficient market access commitments on services by April 1 – considered the last possible date for talks if Congress is to get the package through this year. The US needs commitments from the Asians, Latin Americans and Japanese, but talks are being held up by the agriculture negotiations.

Pro-Gatt forces are weakened by dissatisfaction with the intellectual property rights text, particularly the 10 years given developing countries to implement patent laws.

Another briefer said the US was a victim of a "high-tech lynching" in Geneva, with the rest of the world convinced that US dumping laws were "outrageous." He said a big lobbying effort would be required to sell Congress on the proposed Multilateral Trading Organisation.

The agriculture lobby is pleased with most of the Dunkel draft, but protected commodity groups – peanuts, dairy, sugar and cotton – will oppose the final package.

Long wait for mobile-phone calls home

INTERNATIONAL travellers hoping to ring home from round the world by hand-held mobile phones are likely to have a long wait, judging by the problems a top contender is having, Michiko Nakamoto writes.

Iridium, a subsidiary of Motorola, the US electronics group, which is a leading contender to provide global satellite communications systems, is having trouble enlisting widespread international support for its proposed system.

The group, planning to start up a global satellite communications system using hand-held phones by 1997, has had to modify its proposed system, which will use a constellation of 77 low-earth-orbit (LEO) satellites, to make it more marketable than in its original form.

Iridium proposes making its process complementary to, rather than in competition with, terrestrial cellular systems, by allowing subscribers to use the same handsets for cellular systems as well as its satellite one.

The move follows the group's failure to win enough financing in the first phase of its $3.2bn (£1.76bn) project before a self-imposed deadline last November.

Iridium postponed the closing on November 15 of an international private placing of its shares aimed at raising $175m until after an international conference in Spain where radio spectrum allocations will be considered for various applications, including mobile satellite systems.

Publicly, the group contends its decision to postpone the closing was to accommodate a number of prospective European investors unwilling to make pledges ahead of the World Administrative Radio Conference (WARC-92), set for Torremolinos, Spain, from February 3 to March 3. If the WARC does not allocate the necessary spectrum, introduction of Iridium's proposed system could be delayed.

Mr Leo Mondale, Iridium's vice-president for international relations, admitted financing did not depend entirely on the WARC decision. "I can't say yes, we have cheques from all these people subject to the result of the WARC," he said.

The problems are not only financial. Global communications systems need international political acceptance to start up. With four to six groups proposing varying systems, the competition and political manoeuvres are only just beginning.

Iridium has already run up against Inmarsat, the international consortium backed by its 64-member countries, which provides global communications systems via satellite to ships and aircraft.

Inmarsat has its own plans to develop a global hand-held communications system but does not expect to launch this until the end of the decade. In an attempt to enlist Inmarsat's support, Iridium stresses it would lease capacity to Inmarsat members and has approached some individually.

Separately, the US group claims potential competitors, including Inmarsat, would like to see the decision on spectrum allocation delayed, to stop Iridium gaining a head start.

Inmarsat maintains it favours spectrum allocation. But if allocation is to be made, it should be open to all satellite systems.

Tuna re-export ban is upheld

A San Francisco federal court has upheld a secondary ban on third countries re-exporting Mexican and Venezuelan tuna to the US, in another twist to the row over dolphin-killing by Mexican tuna fishermen, Damian Fraser reports from Mexico City. The federal court gave 27 countries until Friday to prove they were not re-exporting Mexican or Venezuelan tuna, banned from the US. Countries ignoring the order will be included in the embargo. The main Mexican and Venezuelan "tuna-launderers", San Francisco environmentalists say, are Japan, Italy, Spain, France, Costa Rica, Panama and Colombia. US law, upheld by a federal court last February, mandates an embargo on a country's tuna exports if the fleet's average dolphin mortality rate is 25 per cent higher than the US's.

Tories to make union reform an election issue

By David Owen and David Goodhart

THE UK government has postponed plans to make agreements between unions and employers legally binding but will press ahead with almost all of its proposed reforms on industrial relations.

Mr Michael Howard, the employment secretary, indicated that several of those reforms – first outlined in a consultation document last year – would be included in the Conservative election manifesto.

The manifesto commitments will include:

● the right of ordinary citizens to take out injunctions against unlawful strikes;
● seven days notice of strikes;
● the right to join any union, regardless of the Trades Union Congress arrangement for regulating inter-union disputes.

The package is also likely to include tighter controls on the way unions ballot on industrial action, including the new proposal that voting papers should be distributed and stored by an independent body.

Strike ballots in future would also have to be conducted by post and be subject to independent scrutiny, according to Mr Howard.

The government would aim to introduce legislation in the first session of the new parliament. The issue of legally binding collective agreements has not formally been dropped but is unlikely to become part of any new legislation.

The timing of the announcement seems designed to focus attention on Labour's trade union ties in the increasingly frenetic pre-election atmosphere.

To furious Labour protests at Westminster, Mr Howard said the proposals were designed to "consolidate and build on the improvement in industrial relations which we have achieved over the last 12 years".

He cited recent electoral fraud at the TGWU, Britain's largest union, to justify some of the measures.

For Labour, Mr Tony Blair, the party's employment spokesman, said the government had "returned to the agenda of the 1970s" on the day when a CBI survey was "confirming the depth of the recession".

CBI survey reports sharp fall in business confidence

By Peter Marsh, Economics Staff

A SHARP fall in business confidence was reported yesterday by the Confederation of British Industry, the UK employers' organisation, in a report casting further doubt about the speed of recovery.

The CBI's latest quarterly survey of industrial trends said manufacturing output and investment are continuing to fall. It found little evidence of imminent upturn, though supports contentions that a steady increase in growth across the economy may be visible in the second half of 1992.

The survey of 1,241 companies in 50 manufacturing sectors was carried out between December 18 and January 15.

After a big increase in optimism recorded in the CBI's October survey, only one in 10 of companies contacted in the new study said they were now more confident. Thirty-four per cent of businesses said they were less confident, giving a balance of 24 per cent which are pessimistic about the period to May.

Factors which have reduced confidence include the worsening economic outlook in export markets such as the US and Germany, the CBI says. Many companies were also disappointed that the increase in UK demand predicted by the Treasury for the second half of 1991 failed to materialise.

While in the October survey a balance of 2 per cent of companies said they thought output would rise in the period to January, production has continued to decline.

A balance of 29 per cent of companies in the new study said production was down in the past four months compared with the May-September period, about the same figure recorded three months ago.

On investment, 16 per cent of companies expect to spend less on plant and machinery over the next year, compared with 7 per cent in October.

A balance of more than a third of companies said their order books had shrunk in the past four months, about the same as in October. A balance of just 2 per cent of companies think orders will increase in the next four months, the same as in October.

Export prospects also appear to have worsened. A balance of 7 per cent of companies expressed overall pessimism about exports, while in October a balance of 14 per cent said they were optimistic.

Inflationary pressures remain weak, however, as companies try to remain competitive by cutting costs and imposing lower wage deals.

A balance of just 5 per cent of companies said they had increased costs per unit of output over the past four months – the lowest figure since October 1959. A balance of 11 per cent reckoned unit costs will rise over the next four months, similar to October's expectation but otherwise the weakest figure since mid-1986.

On prices, profit margins have been squeezed still further as companies attempt to build sales volumes in a weak market. A balance of 19 per cent of businesses said they had been unable to raise domestic prices in the past four months, the lowest result since February 1959.

The survey is also pessimistic on employment, with a balance of 41 per cent of businesses saying they will cut their labour forces.

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Controversy fails to sway Rifkind on port sell-off

By Richard Tomkins, Transport Correspondent

MR MALCOLM Rifkind, transport secretary, said yesterday that the privatisation of the port of Tees & Hartlepool, in north-east England, would proceed in spite of controversy over the way the sale was conducted.

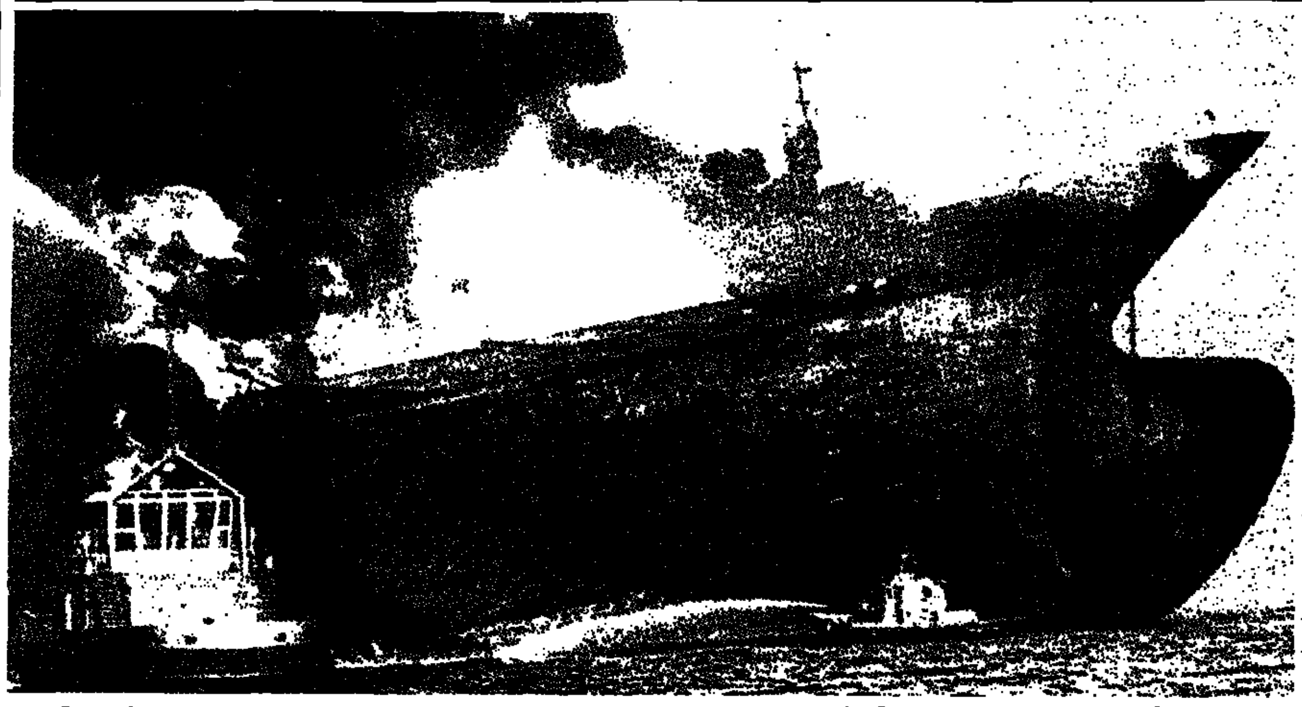
This means Britain's second biggest port is likely to be sold for £180m to Teesside Holdings, a consortium led by Powell Duffryn, the industrial group.

The last remaining obstacle to the sale is the possibility of a judicial review threatened by the management buy-out team, one of the losing bidders.

Mr John Hackney, the buy-out team's leader, yesterday appeared to back away from the threat, saying the team was seeking legal advice before making its decision.

Maritime Transport Services, another unsuccessful bidder, said the outcome could affect its involvement in bidding for other trust ports coming up for privatisation.

Mr Geoffrey Parker, chairman, said: "We put in the best bid but failed to win. The decision is very hard to understand but we accept the secretary of state believes it is right. In the absence of any clear explanation, it makes us question our involvement in future trust port bids."



The loss of ships in 1991, such as the Cypriot tanker 'Haven' above, has raised safety concerns among insurers

Shipping safety questioned as losses rise

A SERIOUS decline in safety at sea was highlighted by figures released yesterday by the Institute of London Underwriters (ILU), an association representing marine insurance companies, writes Richard lapper.

Describing the upward trend in shipping casualties as "ominous and disconcerting", the ILU said the number of ships (of more than 500 tons) lost at sea increased to 182 in 1991, 30 per cent more than in 1990. The loss of more than 1.7m tonnes of shipping cost insurers £750m.

The ageing of the world's fleet and declining standards of maintenance as a result of cost cutting were mainly responsible, the ILU said.

"The older ships get, the more easily they succumb to bad weather," said Mr Roger Nixon, of the ILU.

Although losses were widely spread among all types of vessel, insurers are particularly worried by the decline in the safety of tankers and particularly bulk carriers, which carry commodities such as iron ore.

Of the 27 bulk carriers lost in 1991, 25 were more than 15 years old.

"The losses of bulk carriers, often in unexplained circumstances and with considerable loss of life, continued in an alarming manner; increasingly the evidence is pointing to structural failure as the main culprit," said the ILU.

Ships registered in "flag of convenience" territories such as Panama, where safety standards are more relaxed, were also more vulnerable to accidents.

Panama and Cyprus together lost about a quarter of the total losses, in terms of both tonnage and numbers.

Claims (including reinsurance claims) paid by the ILU's member companies amounted to £4.069bn in 1991, 49 per cent more than the £2.729bn recorded last year.

BRITAIN IN BRIEF

Air France drops flights from Stansted

Air France has dealt a blow to London's Stansted airport by suspending all flights from the new BAA airport complex from 30 March and boosted the fledgling London City Airport by announcing expanded services from the much smaller Docklands airport.

The suspension of the Stansted flights reflects the disappointing passenger loads on these services, Air France said. The French airline was one of the first big international carriers to operate out of the £400m Stansted complex, opened by BAA last year.

The decision is a setback for Stansted because the airport has been seeking to attract big international carriers. However, many airlines have been reluctant to commit themselves until they see international traffic expand at the Essex airport.

Ulster impasse acknowledged

The British and Irish governments have reluctantly accepted it was not possible to launch fresh political talks on Northern Ireland's future before the UK general election.

At a meeting of the Anglo-Irish conference in Belfast, both sides insisted that the various exchanges between the parties over the last two years had been valuable in producing a basis for political dialogue.

Mr Peter Brooke, the Northern Ireland secretary, and Mr Gerry Collins, the republic's foreign affairs minister, said they hoped that the potential for talks would be developed at the appropriate time.

Bank to advise on tunnel link

Mr Malcolm Rifkind, transport secretary, has appointed Samuel Montagu, the merchant bank, to act as the government's financial adviser on the planned Channel tunnel rail link.

Samuel Montagu's main task will be to explore ways of involving the private sector in the project and, if possible, handing it over to the private sector altogether.

The government last year announced that the line would approach London from an easterly direction, via Stratford. No completion date was set.

Lunn Poly drops threat

Lunn Poly, the UK's largest chain of travel agents, has backed down from its instruction to its shops not to display the brochures of seven tour operators after being threatened with legal action by Pickfords Travel, a rival chain.

Lunn Poly's decision to remove the brochures from display came after the seven companies had agreed to offer discounts through Pickfords Travel. Lunn Poly instructed staff to take orders from customers who specifically asked for a holiday sold by one of the seven operators, but told them not to promote the companies in any way.

Councillors stand down

More than 40 per cent of local councillors stand down after one four-year term of office, with two-thirds leaving after just two terms, according to a Joseph Rowntree survey.

Evidence of such high turnover underlines the problem of finding people who are able and committed to serving on councils in their current turbulent state. Inadequate financial allowances and a sense of powerlessness and frustration were among the main reasons cited for retiring early.

Poster groups join forces

Two of the UK's largest outdoor poster groups joined forces to launch an unusual national poster campaign aimed at boosting posters' four per cent share of the advertising market.

Mills and Allen, part of Avenir Havas Media (AHM), Europe's leading local media owner, have linked with Maiden Outdoor for a campaign targeted specifically at persuading advertisers that posters provide a useful, overlooked and cost-efficient method of promotion.

Defence job losses feared

An apocalyptic vision of the future for Britain's defence industry, forecasting possible job losses of a third of a million or more by the end of the decade, is outlined in a report due to be presented tomorrow.

The report, by Dr John Lovering of Bristol University's School of Advanced Urban Studies, was commissioned by the Campaign for Nuclear Disarmament.

Reductions under the the government's Options for Change review suggest about 100,000 job losses by 1995, according to the report, which puts current employment at 600,000. But it says the decline for the whole of the 1990s is likely to be much steeper and could surpass that of the coal and steel industries in the 1970s and 1980s.

Mortgage lenders face tough market

By David Barchard

MONTHLY figures released by the Building Societies Association yesterday suggest that mortgage lenders could face even tougher market conditions than already expected during the next few months.

The BSA monthly figures show that there was a £54m net outflow of savings from home loans and saving institutions – or building societies – in December, the second month in succession that there was a net outflow from the societies.

In November, the net outflow was £49m. Two successive months of savings outflows are extremely unusual and they suggest that building societies may find it more difficult than they expected to cut their savings rates in the wake of the 0.55 per cent cut in their standard mortgage interest rates ten days ago.

Total mortgage lending by the societies was 14.8 per cent lower, at £3.22bn, in December than it had been in November.

Net new loans, agreed but not yet paid out, fell even more sharply, dropping from £3.04bn in November to £2.53bn.

Labour launches counter attack on Tory tax plans

By Ivo Dawney, Political Correspondent

BRITAIN'S opposition Labour party launched its long-awaited counter offensive on tax yesterday with a warning that a new Conservative government would raise Value Added Tax (VAT) to 22 per cent to finance income tax cuts and public spending.

The charges were backed by an 11-page dossier detailing past Tory VAT increases, a billboard campaign depicting a masked Mr Norman Lamont, the chancellor of the exchequer, as "Vatman", and a fierce attack from Mr Neil Kinnock.

The Labour broadside was greeted with a swift rebuttal from Tory Central Office. Mr Chris Patten, the Conservative party chairman, dismissed the attack as a "smear".

Earlier, Mr John Smith, Labour's chief finance spokesman, used a press conference to ram home charges that past Tory pledges not to tamper with child benefit nor to "double" VAT had rested on carefully worded texts.

To emphasise the point, he circulated a Conservative press statement from April 1979 in which Sir Geoffrey Howe, then the Tories' chief finance spokesman, had claimed the Tories had "absolutely no intention" of doubling VAT, then charged at 8 per cent.

John Smith makes his attack on 'Vatman'

Within two months, however, the new Conservative government had almost doubled the tax, to 15 per cent.

Pointing out that indirect taxation falls more heavily on the poor, Mr Smith said that while 25m people pay income tax, some 45m pay VAT.

Challenged by Mr Kinnock in the House of Commons to deny any hidden VAT programme, the prime minister, Mr John Major, first said there were no "plans" to increase the tax, then later further clarified his answer by insisting: "There will be no VAT increase."

Later, Downing Street reconfirmed Mr Major's reply with assurances that VAT rises had been ruled out both before and after an election.

At the same time, Tory party officials circulated copies of a claim by Mr Roy Hattersley, Labour's deputy leader, before the 1987 election that the Tories were considering radical fiscal measures involving a VAT rate of 60 per cent.

Labour has consistently refused to pledge to reduce VAT, but yesterday said it had no intention of extending the tax to new products currently exempted, or to increase it for luxury goods.

Accountancy body rebukes companies

By Andrew Jack

TWO LARGE companies were publicly reprimanded for their accounting policies yesterday in the first significant actions taken by the Financial Reporting Review Panel, the policing arm of the UK's accountancy regulation bodies.

Williams Holdings, the industrial conglomerate, and Ultramar, the oil and gas group which has since been bought by Lasmo, were criticised in announcements released to the Stock Exchange and the press.

Mr Sydney Treadgold, secretary to the review panel, said both companies had used accounting practices which "flattered their earnings per share" figures. The treatments contravened both accepted accounting standards and the 1985 Companies Act.

The statements were were the review panel's first public actions since it was established in February 1991 and represent an attempt to tighten up financial reporting.

Williams calculated 1990 earnings per share after excluding exceptional items, one-off costs incurred as part of the business's continuing operations. This treatment, contrary to accepted accounting practice, increased reported earnings per share from 21.2p to 22.3p.

Ultramar included unrelieved advance corporation tax, the charge against dividends before they are distributed to shareholders, as part of the cost of its dividends, rather than as a tax charge. That boosted reported earnings per share from 28.9p to 32.2p.

Both companies had clearly flagged their departure from standard accounting practices in notes to the accounts, and stated they believed their own treatment more fairly reflected their companies' performance.

Williams has agreed to comply with the official treatment recommended by the panel in its forthcoming 1991 accounts. "It's a technicality, I accept it and it won't happen again," said Mr Nigel Rudd, chairman.

Ultramar's directors also accepted the panel's ruling, but the company has since been taken over and will not be producing its own accounts for the last financial year.

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Brussels insists on playing the regional aid game by the rules

The UK government's efforts to depict its row with the European Commission as 'interference' could backfire, writes David Gardner

THE UK government's efforts to portray the EC aid row as partisan interference could backfire on London.

The European Commission has threatened to withhold cash to depressed British regions because of the government's policy on local authority spending.

But the affair appears to be merely a case of enforcing rules on regional aid which were agreed unanimously at a February 1988 summit of EC heads of government – including the former UK prime minister, Mrs Margaret Thatcher. These doubled funds for industrially stricken regions and set legal conditions on how the money could be spent.

At the heart of the dispute is whether the EC funds are additional to member states' regional spending, or whether governments – Britain's in particular – are using them to reduce the cost of capital programmes in some areas and curb local authority spending.

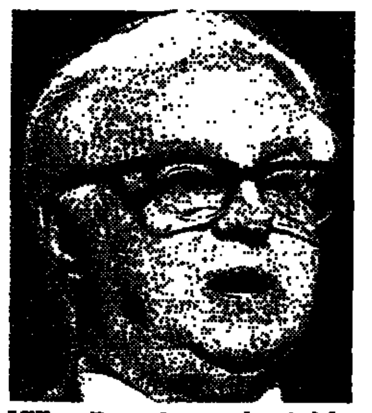
Commission dissatisfaction that the legal conditions are not being met has put at risk some £1bn to which British regions trying to create new jobs are entitled. On top of the Ecu160m (£114.7m) for coalmining areas withheld throughout last year, a further Ecu1.26bn earmarked for nine high unemployment areas, from Merseyside to Strathclyde, in 1992-93 may also be blocked until the row is settled.

The man at the centre of the dispute is Mr Bruce Millan, secretary of state for Scotland in the last Labour government and now the self-effacing junior British commissioner in charge of EC regional policy in Brussels.

At the weekend, Mr Michael Heseltine, environment secretary, accused Mr Millan of "ganging up" with the Labour party to embarrass the government ahead of the election. Last September, Mr Peter Lilley, trade and industry secretary, described the Commission's attitude as "discrimination against Britain", and accused Mr Millan of "making difficulties all the time".

However, what the Commission as a whole – not just Mr Millan – is questioning is whether the regional aid is reaching the targeted areas, and whether the money is "additional" to national allocations, under rules which require member states to match the contribution from the EC.

Most EC regional aid goes to southern Europe and Ireland (including Northern Ireland), areas with per capita incomes 25 per cent or more below the EC average. Britain receives about 38 per cent of the smaller allocation for regions in



Millan: Ecu1.4bn may be at risk

industrial decline. This money should co-finance projects which would not otherwise go ahead, and should have, as the 1988 regulation states, "a genuine additional impact in the regions concerned".

The eligible regions are agreed by the member state and Brussels, in a contract under which the state "also confirms its commitment to this legal obligation". The row is therefore about what in EC jargon is known as "additionality".

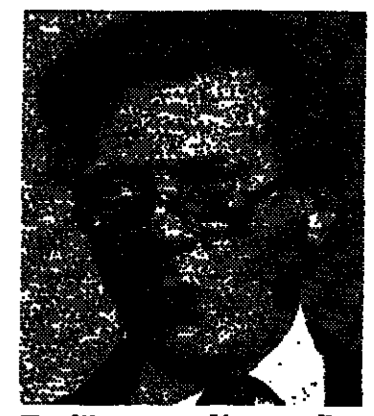
The Commission says that a proportion of EC aid to UK regions is

The long-running dispute between the UK government and Brussels over EC aid for Britain's declining regions has suddenly escalated. Prime Minister John Major yesterday told the House of Commons that the money should be released "speedily" to help fund regeneration in Britain. But according to the UK government, if Mr Bruce Millan, EC Commissioner, makes good his threat to block the funds because of the argument over the way the money is disbursed, it means that £1bn worth of grants for roads, ports, and other infrastructure, could be lost over the next 12 months.

leaking out to other local authorities which are not eligible, because it all ends up in a single Treasury pot.

"We can see the tunnel carrying the money into the Treasury," a senior official says, "but we can't identify it coming out the other side. Eligible regions do not get the benefit . . . worse still, signing up obliges them to draw down spending in other sectors in order to match our funds."

The UK says it takes the EC money into account at national



Heseltine: wary of 'own goal'

level and the amounts – at least nationally – are greater than they otherwise would have been.

However, when sharing out rigidly-controlled spending permission levels among local government, the UK decides on the basis of overall capital needs rather than specific projects. "The possible availability of grants from the ERDF [European Regional Development Fund] is not generally considered," Lord Caithness, a junior Foreign Office minister, wrote to the Commission last April.

Shortly afterwards, Mr Millan met seven UK ministers and emerged unconvinced that the problem was simply one of "transparency". If it were, officials argue, the UK would be able to demonstrate that the money is reaching its agreed destination, whereas repeated complaints to Brussels from British local authorities indicate it is not.

The problem has been given a new twist because of the recently announced job losses in the Selby coalfields in Yorkshire, and at the Ravenscraig steel plant in Scotland. Mr Millan has said these areas could get more money, but only if the "additionality" question is settled.

No other EC member state has got into this difficulty, but there is no evidence to support the UK government's charge of discrimination. Mr Heseltine's remark that Mr Millan himself, when in government, operated the system he now criticises ignores the fact that the rules were changed – with the consent of a Conservative government – in 1988.

Denmark, for instance, had a system of sharing local government spending which also presented problems, but changed it to comply with the 1988 rules.

Greece, which made substantial spending cuts in order to qualify for an Ecu2.2bn balance of payments loan from the Community, had to restore to its budget all reductions in "additionality" spending and find the cuts elsewhere.

Italy had Ecu60m to which it was entitled reallocated to France last year because of inability, rather than refusal, to provide matching finance.

This last precedent is more ominous for the UK. Mr Millan has only said that the Ecu1.4bn in dispute "could all be in jeopardy".

However, one senior official said last week that "there could come a moment when the Commission has to decide whether to hold this money or reallocate it to other member states".

Mr Heseltine himself appeared to acknowledge the dispute as politically damaging in a letter to cabinet colleagues leaked last month by Mr Gordon Brown, Labour's trade and industry spokesman. The letter described the government's arrangements for dealing with EC regional aid as "no longer tenable".

The row, Mr Heseltine said, had "become a constant source of friction and recrimination, both from the EC and from local authorities and MPs. We cannot afford such an 'own goal' in areas which are politically important to us."

Sell-off generates heat and light

David Lascelles looks at how regional electricity companies are changing their corporate cultures

It was the most wrenching privatisation of all. Last year's sale of the UK's electricity industry drove no fewer than 17 companies from the protected pastures of state ownership out into the jungle of the private sector.

Each of these companies had to undergo a sweeping cultural transformation to deal with its new existence, stripping out ingrained practices and replacing them with new ones that served the demands of the stock market and competition.

"All of them have a long way to go," says Terry Neill, a consultant with Arthur Andersen who specialises in utilities. "Their thinking is conditioned by fact that it took 10-15 years to build a power station. It was very engineering focused."

Nonetheless, all the electricity companies have put cultural change high on their agenda. The goals are clear enough. Management must learn to drive the business to satisfy the market and shareholders rather than bureaucratic requirements. Staff need to be made more aware of customers, of the bottom line, and the need for quality.

"Our advice to management is to recognise the scale of the issue," says Neill. "The winners will be those that can execute to the tightest timetable."

But there is no obvious route to these goals and companies have adopted a variety of tactics. Two which illustrate this are Northern Electric and Yorkshire Electricity, both of them regional distribution companies (RECS) based in the north-east of England.

For Northern Electric, based in Newcastle-upon-Tyne, the key point is to drive an awareness of quality into staff. This means teaching each employee that he or she has a customer, even if that customer is another member of staff.

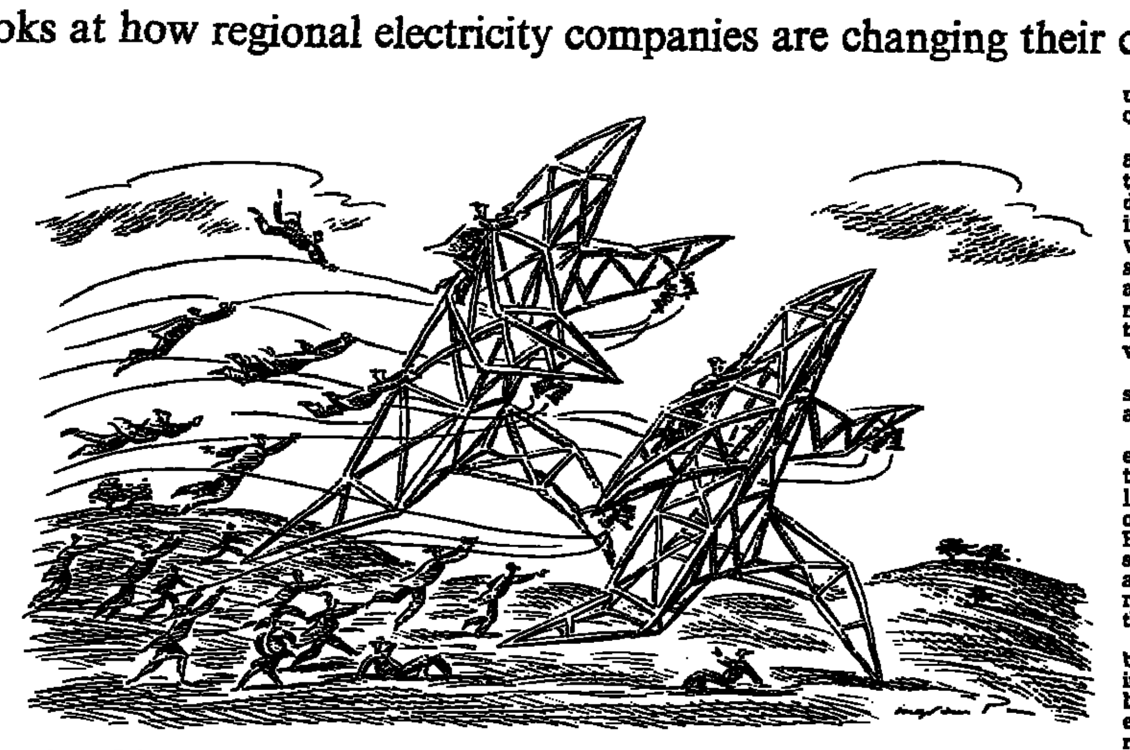
"We were not in a British Telecom situation" says Neil Midgley, the quality improvement manager, referring to the telephone utility's poor reputation at privatisation. "We were generally perceived by customers as giving a reasonable service. But we felt we'd have to improve that service and that would lead to greater efficiency."

Northern hired Crosby Associates, a consultancy which specialises in quality management, to design a plan. This entailed putting 112 key managers through a four-day course. They in turn trained others throughout the company. Over a 15-month period, the entire 5,500 staff clocked up some 50,000 hours of training.

The training has been backed up by team briefings to involve staff in the company's affairs and keep them abreast of its prospects. "The bottom line emphasis is much stronger in management lines," says Midgley. "Previously it wasn't the done thing to talk to the sharp end about the accounts."

Although Northern expects that it will be several years before the full effects of this training come through, it already claims to see improvements in attitudes. Staff have become more responsive to clients, more willing to suggest ways their work could be improved, and they are displaying a closer interest in the company's fortunes. The fact that most of them became shareholders at privatisation helped.

The company's senior management has focused on improving asset utilisation and cost control,



and on refining systems to measure company performance. David Morris, Northern's chairman, says: "We are aiming for the biggest involvement of troops making the maximum number of decisions. It's all about delegation and motivation."

At Leeds-based Yorkshire Electricity, they decided to lead the changes by opening up as many parts of the business as possible to commercial pressures. This, it was hoped, would produce the desired changes in staff attitudes as they became aware of the demands of their markets. The consultants they hired were Hay MSL, specialists in management structures.

The key to the Yorkshire plan was to break the company up into its component business parts and cluster them beneath a holding company. Each part thus became more conscious of its identity and its performance. "We wanted to know what the contribution was from each business and each had to be driven by its own markets," says Malcolm Chatwin, the commercial director who will shortly be taking over as chief executive.

This involved setting up an internal pricing system so that individual departments could charge each other for their services.

This, according to Chatwin, "had a very testing effect". For example, the contracting departments which dig holes in the road or install wiring were made aware that these services could also be supplied by outside contractors. But departments also became aware that they need not just work for Yorkshire Electricity, but could supply their services to other companies as well.

"Commercial and customer pressure has far more effect than management pressure" says Chatwin.

Yorkshire found these changes easiest to introduce into the non-traditional parts of the business, like contracting, where time-honoured practices are less entrenched. But it has also been painful because staff have learnt they will have to accept swingeing pay cuts to remain competitive or risk having their business closed down.

The traditional electricity distribution side of the business is proving more resistant to change, partly because trade unionism is more established, partly because it remains a monopoly sheltered from competition. But this year's centralised union pay negotiations for the power industry should be the last, Yorkshire believes, paving the way to more flexible practices next year.

Also, as time goes by, the monopoly will be eroded by the reduction in protection under the timetable established by Offer, the industry regulator. Although this will add to pressures, it makes it essential that Yorkshire adjust in time to deal with the new competition.

Of the two approaches chosen by Northern and Yorkshire, the more rigorous is Yorkshire's – at least in the view of the stock market. There is a sense that Yorkshire has got most firmly to grips with its business, and that its strategic decisions must therefore be sound.

On the other hand, the rigour has also created internal strains which could prove troublesome. For example, the "market price" imperative which imposed wage cuts on uncompetitive segments of the business also dictated huge increases in salaries for top management. James Porteous, the chairman, received a pay boost of more than 150 per cent last year. The fact that Yorkshire's profits also soared added to the sense of injustice among staff.

By contrast, Northern is perceived by the stock market to have less hard-nosed management and to be less certain about the direction in which it is heading. On the other hand, its emphasis on quality at the point of contact with the customer has put it at the top of the industry league with the least number of complaints made to Offer.

John Dean, the electricity analyst at Wise/Speke, the Newcastle stockbroking firm, points up a further difference between the companies. Northern, he says, was one of the first to embark on change, in the early 1980s. So it has been evolving for many years and needs less shock treatment than Yorkshire. The emphasis it has put on financial controls has also reduced customer bad debts to the lowest in the industry.

"Yorkshire's approach is the more high profile," says Dean. "But both companies are producing strong results. It's too early to make definitive judgments about their strategies."

Working to force disability onto the agenda

Fiona Thompson investigates today's initiatives to find employment for handicapped people

Bryn Owen is 31 years old, has Downs Syndrome and works five days a week at the Rhyl branch of McDonald's in North Wales. He loves his job – "best of all the tidying up, because I'm a tidy person."

Bryn is responsible for making sure the tables, chairs and floor in the central lobby are clean and tidy for customers, with whom he always has time for a chat. He washes the windows and floor and empties the bins.

The company was initially approached by People Recruitment, part of Clwyd county council, which finds jobs for people with learning difficulties. Bryn started part-time in 1989 but was promoted to full-time work in 1990. His supervisor, David Padmore, was conscious of Owen being there during his first week's work. "But now he's so much part of the furniture.

"The most important thing from everybody's point of view was that Bryn was going to be treated normally. While he may be capable of doing only certain things, he has fitted into the role that he's been given very well."

And Alan Kay, branch manager, has no hesitation in describing what started as an experiment as a great success. "I think Bryn is absolutely brilliant out there. He's very organised and keeps the place looking good." At Christmas there was proof positive that, in return, he is held in affection by staff and customers alike. Many regulars brought him cards and presents. "They really enjoy working with him. Everybody likes him," said Kay.

John Major, the prime minister, will tonight address a reception launching an Employers Agenda on Disability – aimed at making disabled employees less of the exception and more of the rule. The initiative is being launched by the Employers' Forum on Disability – itself an unusual entity. It is strictly an organisation of employers which has as its aim improving the job prospects of people with disabilities by making it easier for companies to recruit and develop them. Employers are normally encouraged by charities or government to hire the disabled; they are not exactly known for promoting such recruitment themselves.

And no-one is pretending it is an easy task. According to the latest government statistics, there are 6m adults with disabilities in Britain, representing 14.2 per cent of the population. Of these, 2.4m are of working age. But only 36 per cent of disabled men and 31 per cent of disabled women work.

The law requires that organisations with more than 20 staff must employ registered disabled people at the level of 3 per cent of their workforce. Only 22 per cent of employers, in fact, meet that quota.

Twenty-one top-rank, blue chip companies will today announce that they have agreed to adopt the 10-point agenda calculated to promote the recognition, recruitment and career development of people with disabilities. A drop in the ocean? More, perhaps, a wave. The effect of placing one person in one job is not to be dismissed.

Rena Zdaniewicz, a paraplegic since a car accident 11 years ago, bucked the trend at London Weekend Television by becoming a video editor – not only as a disabled person, but as the first woman in that department.

"LWT had just started its equal opportunities policy when I joined, and, as I became a success, it was very good for them and excellent for me because I never thought I would be given the chance to edit because of being in a wheelchair.

"In fact, it's been a great success. When you edit, you're sitting down all day in a chair on wheels. As a wheelchair user, it's pretty ideal for me."

LWT is involved with several associations that train disabled people for employment and each year takes on people for work experience. But there is still more to be done, says Zdaniewicz. LWT has three or four people who are disabled out of about 600 employees. However, there were none."

Chris Van-Hilton, aged 38, suffers from an acute form of arthritis which severely restricts his mobility. It came out of the blue when he was 29 and driving a lorry for a living.

He retrained, taking computer studies courses and is now a computer analyst.

Helped by Workable, which specialises in the employment of people with disabilities, Van-Hilton was taken on for a one-year placement by Arco, the chemical manufacturer, as an end-user computer analyst. The placement finishes at the end of this week and Van-Hilton is keen to find a permanent position.

"I think it has proved to Arco that to take someone with a disability does not mean it will be a problem. I hope this would encourage other companies not to be afraid to employ people with disabilities."

Susan Weaver, Arco's personnel officer, said the placement was a success, because it both provided Van-Hilton with a year's work experience and increased the company's disability awareness.

Tourists urged to tread green path

By Michael Skapinker

Those striving for the label of Environmental Correctness should spend their summer holidays in Benidorm rather than hiking through the Himalayas.

Taking small groups of tourists to "unspoilt" destinations can be environmentally far more damaging than taking hundreds of thousands of visitors to a resort with a well-developed infrastructure, according to the environmental charity Ark.

Ark says that the very appeal of "unspoilt" destinations "lies in their ecological fragility: the subliminal sales pitch is 'experience the coral reefs before they are destroyed'. Destroyed by tourism, that is!"

In any event, "eco-tourism" to remote destinations accounts for a minute percentage of holidays taken abroad, Ark says. Anyone thinking of mounting an environmental campaign aimed at the tourist industry needs to focus on the holidays taken by the majority of travellers.

Ark is pitching its message at everyone travelling through Manchester Airport this summer and all 2.5m package tourists flying on Britannia Airways during 1992. The Britannia passengers will be shown a 90-second video encouraging them to save water and show some respect for the local culture of the resort they are about to visit.

Tourists departing from Manchester Airport will be given a glossy magazine which looks like a holiday brochure, but which asks readers questions such as whether they have "ever rolled over luxuriously in the hot sand only to feel the warm squidgy-ness of old chewing gum welded to your chest?"

The video and glossy magazine are part of a £75,000 Ark campaign which is subsidised by Thomson (the UK's largest holiday company and owner of Britannia Airways), Manchester Airport and the European Commission.

Roisin Orosz, Ark's campaigns director, argues that focusing on holiday-makers rather than hotel owners or package tour operators is likely to be the most effective way of making the tourist industry look after the environment.

"I feel it's not an industry that will respond well to pressure group tactics. Tourism is a demand-led industry. There is very little environmental legislation covering tourism, but it will react very fast to any consumer shift," she says. If the customers demand facilities more in keeping with the local environment and culture, the industry will provide them.

"We have to get tourists on our side. We have to use psychology, advertising, marketing – all the techniques that are used to get people to change their attitudes and behaviour. A lot of Spanish resorts are becoming aware of their tacky image. Without changing it they can see their star waning."

An example of the marketing tactics used by Ark is that the glossy magazine has a cover price of 40p. Nobody will be asked to pay for the publication; Ark simply believes if that people think they are getting magazines of some value for nothing the publications are less likely to be thrown away at the airport or holiday resorts. Later this year Ark plans to begin distributing a children's activity pack on the environment.

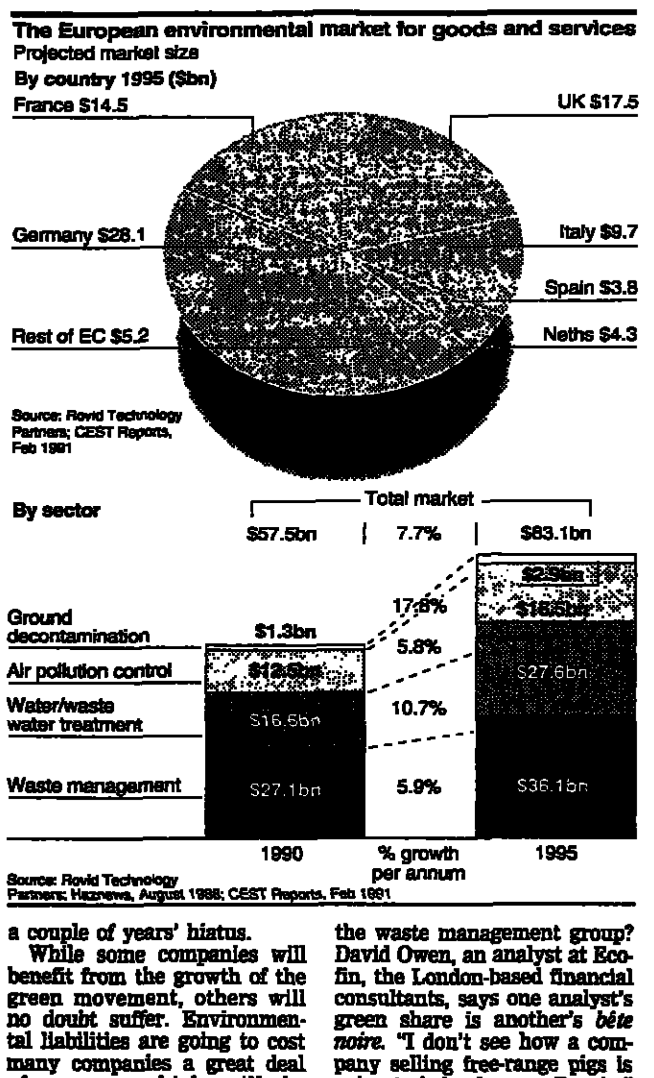
A further plan is for a national opinion poll on tourists' attitudes towards the areas they are visiting. The poll will not deal directly with environmental issues. Instead, it will try to assess travellers' perceptions of the cultures of the countries in which they take their holidays.

The thinking behind the poll is that the more tourists understand and appreciate the places they visit the more likely they are to want to preserve the natural, cultural and architectural environment. "There is a fear about holidays which makes us want to recreate our own culture when we go abroad," Orosz says.

She believes, however, that the more people travel, the more secure they feel and the readier they are to involve themselves in cultures other than their own. "Tourists have come of age. Simply going abroad is not enough anymore," she says.

Hilary de Boerr explains why Europe's green investment market is set to take off

Moment of truth



Europe's green investment market looks set to grow by leaps and bounds in the coming decade, superseding the US market as the place for environmentally conscious investors to put their cash.

Impending EC legislation, Europe's dense population and the opening up of eastern Europe will bring substantial business opportunities in the environmental sector. That makes the beneficiaries attractive long-term investments, say industry specialists.

Research and information systems, which remain limited in Europe's green investment market, should also improve in coming years. Better investment advice and, presumably, better returns should be available to investors interested in the environment.

Europe's green investment market is still in its infancy. Britain – where most of the activity takes place – saw its first green fund launched just four years ago. And while several more have appeared since then, the UK green unit trust market is still only worth about £240m – a fraction of the £55bn UK market.

Most European financial capitals offer at least a couple of green funds, and there are signs of increasing activity – albeit at a slow pace.

In the US, where environmental legislation has been in place for longer, green investment is a more mature market. The potential for further investment profits is being hit by concern over the economy, and environmental regulations are even being blamed for slowing economic growth.

Investment analysts are therefore turning their attention to European environmental legislation. The European Commission currently has under its aegis about 250 directives, rulings or recommendations concerning the environment. The directives will have to be implemented into law by EC member states.

Rovid Technology Partners, the UK investment adviser, believes western Europe's environmental goods and services market – worth $65bn (£36bn) in 1988 – will more than double in value to stabilise at $140bn "some years into the next century". The US market, already worth $100bn in 1988, will stabilise at $120bn, it says.

The business boom will mean investment opportunities in such sectors as waste management, air and water treatment and recycling, and investment companies are showing signs of renewed activity after a couple of years' hiatus.

While some companies will benefit from the growth of the green movement, others will no doubt suffer. Environmental liabilities are going to cost many companies a great deal of money, which will be reflected in share prices.

The question now exercising financial analysts' minds is what exactly *is* a green share; a company that has adopted environmentally-sound policies – such as the Body Shop – or a company that operates in the environmental services sector – such as Shanks & McEwan, the waste management group? David Owen, an analyst at Ecofin, the London-based financial consultants, says one analyst's green share is another's *bête noire*. "I don't see how a company selling free-range pigs is going to help clean up Russia," he says.

In the UK, Commercial Union and Legal & General are expected to launch green funds which invest in European shares, while venture capital companies are increasingly active in the private sector.

Charterhouse in the UK, and Alex Brown and First Analysis Corporation in the US, are currently raising funds from institutional investors in Europe and the US for environmental venture capital funds worth up to $100m. Companies in the UK, France, Germany, Italy and Spain are expected to attract most of the money.

Stuart Janney, managing director of Alex Brown, the Baltimore venture capital firm specialising in environmental companies, says: "We think that the next seven to 10 years are going to afford an unprecedented opportunity to invest in companies that are small now but which will be very big at the end of this decade. And these companies are going to be European companies."

The main question in the debut years of green investment was whether money could be made from being green. That has been been proved – some such funds have outperformed their stock markets – but the bandwagon effect is wearing off.

As Roger Hardman, at James Capel, publisher of the much-referred-to Green Book on environmental shares, warns: "The day has passed when the average green share could rely upon a better-than-average market rating purely by dint of its environmental awareness. The premium ratings can still be obtained – but they have to be earned whereas in the past they didn't."

Sorting the potentially profitable share from the rest remains problematic. There is a dearth of information on European companies' environmental records – especially when compared with the US, where information systems have developed over the past decade or so.

Few European investment companies operate their own environmental research teams, leaving a handful of research outlets supplying information to a specialist market.

There is simply not enough investigative groundwork, argue industry specialists. "Too much information is extracted from press cuttings, celebrity panels and somewhat poor questionnaires sent to company chairmen to complete. You won't get a company chairman who doesn't feel that his company is not green and positive in every way," says one observer.

There are signs of movement on both fronts, but it will not happen tomorrow. As Peter Webster, executive director of EIRIS, the ethical investment research service, says: "Investment is a slow business – they take decisions at a slow pace."

Worldwide water supply drying up

By Tim Coone

Is there a worldwide water crisis? 500 specialists from 100 nations meeting in Dublin this week for the UN International Conference on Water and the Environment (ICWE) believe so.

The assembled body of statistics and working papers gathered for the conference makes convincing and sombre reading. Among the more notable and alarming points are:

- 80% of all diseases and more than 33% of deaths in developing countries are linked to a lack of water in adequate quantity and quality.
- The world population will pass 6bn by 2000, and reach 8.5bn by 2025 of which 7.2bn will be in the developing world. Urban populations, have increased from 1bn to 3.5bn over the past 30 years.
- In some cities such as São Paolo in Brazil, effluent discharges are as great as the natural riverflow through them.
- Less than 2 per cent of the 2m tonnes of human excrement produced daily in cities around the world is treated. The rest is discharged into watercourses.
- World water demand by the end of the decade, including requirements for waste dilution, may reach 18,700 cubic kilometres annually. This is almost half of the total global runoff water annually available.
- The 1991 cholera outbreak in Peru cost an estimated $460m in lost exports and tourism "which would have more than paid for the water and sanitation systems needed to prevent such an outbreak occurring".
- The polluting load from industry and domestic consumers "long ago passed the threshold of nature's recovery processes – with alarming consequences for the natural environment and for the health of urban residents".

The world trend of an accelerating growth in demand, rising to meet a limited global freshwater supply, carries a warning of Malthusian doom. Disease and war threatens if, as a family of nations, we do not act soon to change the way we think about water.

Economists rather than engineers are now being looked to for solutions. "One of the fundamental changes required is a shift from preoccupation with development of water resources by major construction programmes to more efficient use of available supplies using water conservation and demand management," one keynote paper notes.

It is pointed out that badly maintained distribution systems frequently waste as much as 50 per cent of the available water supply. Heavy subsidies to agriculture and industry also result in inefficient water use. Typically, one tonne of cereal can require 2,500 tonnes of irrigation water to produce; one tonne of steel requires 90 tonnes of water, while one tonne of synthetic fibre can require up to 5,000 tonnes of water.

Globally, agriculture uses 73 per cent of the world's water supplies. Irrigated farmland has increased from 94m hectares in 1950 to 260m in 1990. Even sacred cows such as food security policies should be reconsidered. Arcot Ramachandran, the executive director of the ICWE, asks: "In conditions of scarcity, it is surely not unreasonable to raise the question whether food security is best provided by transporting water over huge distances at enormous cost in order to supply it at massively subsidised prices or whether purchasing and stockpiling food may not, at least in some cases, be a more sensible solution."

The underlying theme of the Dublin conference is that mankind's historical view of water as a cheap and abundant resource requires an urgent updating. Abuse and overuse has made it into a "fragile, economic good" which needs to be rationally priced. For many countries, a failure to do so will result in economic slowdown and even stagnation.

More rational water pricing policies worldwide would help conserve existing water supplies and improve their efficiency, and would provide the additional financial resources for future developments.

According to Ramachandran: "One of the most important messages to reach world leaders from this conference must be that they should put a realistic economic value on their freshwater resources."

FT LAW REPORTS

UK court cannot stop suspension of Channel tunnel work

CHANNEL TUNNEL GROUP LTD AND ANOTHER v BALFOUR BEATTY CONSTRUCTION LTD AND OTHERS
Court of Appeal (Lord Justice Neill, Lord Justice Woolf and Lord Justice Staughton):
January 22 1992

THE HIGH Court has no power under the Arbitration Acts to grant an interim injunction in relation to a non-domestic arbitration, and will stay proceedings though preliminary steps towards arbitration have not yet been taken. Accordingly, Channel tunnel employers seeking to restrain contractors from suspending work, cannot obtain an injunction in the UK, but must apply in Brussels which, as the agreed place of arbitration, is the place with which the arbitration has its closest connection.

The Court of Appeal so held when allowing an appeal by the defendant contractors, Balfour Beatty Construction and others (TML), from Mr Justice Evans's decision that on their undertaking that they would not suspend work without giving the plaintiff employers, Channel Tunnel Group Ltd and France Manche SA (Eurotunnel), 14 days' notice, he would not make an interim order restraining them from doing so; and allowing an appeal from his decision not to stay the action in favour of arbitration.

LORD JUSTICE STAUGHTON said that Eurotunnel was the employer under a contract to build the Channel tunnel. A consortium known as Trans Manche Link or TML, was the contractor.

On October 3 1991, TML wrote to Eurotunnel stating that unless certain conditions were met by October 7, it would suspend work on the tunnel cooling system.

Eurotunnel issued a writ against TML claiming an injunction restraining it from suspending work.

Mr Justice Evans decided that, on TML's undertaking that it would not suspend work without 14 days' notice, he would make no order.

TML appealed. It complained that the judge was prepared to grant a mandatory injunction requiring it to continue work, and only refrained from doing so because an undertaking was offered.

The judge also dismissed an application by TML that the action be stayed in favour of arbitration. TML appealed.

Clause 67 of the contract provided that any dispute should first be referred to a panel of independent experts. The parties agreed to give effect to the panel's unanimous decisions until revised by arbitration under International Chamber of Commerce rules.

It was agreed that "the seat of such arbitration shall be Brussels".

Under clause 68 the contract was to be governed by principles common to both English law and French law, and in the absence of common principles, by general principles of international trade law.

Since both Eurotunnel and TML were partly French and partly English, his Lordship wondered why they did not choose either English or French law – and why they chose Brussels as the seat of arbitration. He suspected the hybrid system would lead to a long and expensive dispute.

There was a dispute as to the proper price to be paid by Eurotunnel for the cooling system. TML proposed £133.84m. Eurotunnel proposed £86.93m.

Also, TML said Eurotunnel was in breach of contract by abandoning the agreed basis for interim funding of work. It maintained it was entitled to suspend work (although it had not yet done so) by reason of those breaches.

There was no English law doctrine that if one party to a contract was in serious breach the other might suspend performance, keeping the contract alive.

In the hybrid system of law governing the contract, however, it was not disputed that some such doctrine existed. It was called *l'exception d'inexécution* or *exceptio non adimpleti contractus*.

The judge accepted there were matters in dispute which it would be the arbitrators' task to decide if and when they were called on to do so.

He held that a stay should be refused because the time for arbitration had not arrived, in that there had not yet been a reference to the panel.

Many types of contract provided for some preliminary step to be taken before arbitration. That did not entitle a party to disregard arbitration procedure and start an action at law merely because the preliminary step had not been taken.

TML was entitled to a stay if there was a dispute "with regard to the matter agreed to be heard". It was not shown readily and beyond doubt that TML had no right to suspend work or that Eurotunnel was right in its contentions. Accordingly, the action would be stayed.

But that did not conclude the question whether there should be an injunction.

By section 12(6) of the Arbitration Act 1950, the High Court had "for the purpose of and in relation to a reference, the same power of making orders in respect of ... (h) interim injunctions ... as it has for the purpose of and in relation to an action or matter in the High Court".

That power could be exercised before there had been any request for arbitration or appointment of arbitrators, provided the applicant intended to take the dispute to arbitration in due course. The court's power in such a case would be exercised "for the purpose of and in relation to a reference".

Some of the parties were not English but French, and they had all agreed to arbitrate in Brussels. The court was therefore not concerned with a domestic arbitration agreement (see section 1(4) Arbitration Act 1975).

The crucial point on the jurisdiction issue was whether an English court had power to grant an injunction where arbitration was to take place abroad, and if so whether the power should be exercised.

It was often said that UK statutes had no application to things which happened abroad. One had to ascertain the connecting factor prescribed by Conflict of Laws rules, in order to find which country's laws were to be applied.

An English court did not have jurisdiction to exercise all powers in the 1950 Act in the case of an arbitration held abroad, even if the parties had agreed to English curial law. It might exercise some of them, for example by staying court proceedings in the UK or enforcing the award.

The connecting factor for application of section 12(6)(h) to a case containing a foreign element was the place the parties had chosen as the seat of arbitration. If that was in England or Wales, English courts had jurisdiction; if not, they had none.

It followed that the English court had no jurisdiction under section 12(6)(h) in the present case, since the seat of arbitration was Brussels.

Express choice of English law as the curial law did not confer jurisdiction under section 12(6)(h) if the arbitration had a foreign seat; nor would a choice of foreign law have taken away jurisdiction if the seat of the arbitration was in England.

Non-availability of section 12(6)(h) was the first of three reasons why an injunction should not be granted under the more general power to grant an injunction conferred by section 37 of the Supreme Court Act 1981.

The second reason lay in section 25 of the Civil Jurisdiction and Judgments Act 1982, under which the High Court's power to grant interim relief might be extended by Order in Council to arbitration proceedings held abroad. No such Order in Council had yet been made. It would not be appropriate to grant relief.

Third, there were dicta which supported the view that an English court had no jurisdiction to grant an interim injunction when a stay was mandatory under section 1 of the 1975 Act (see *Nissan (UK) v Nissan Motor Co, CA July 31 1991*).

Whether or not there was jurisdiction, an interim injunction should not be granted under section 37 when the parties had agreed to arbitration in some place outside England and Wales and there was an arbitrable dispute.

Mr Justice Evans would have been wrong to grant an injunction if TLM had not offered the undertaking. It was to Brussels courts that application must be made, if it was their practice to grant an injunction in such a case.

The application for a stay was granted, and TML would be released from its undertaking if it asked to be released. An injunction would not be granted.

Their Lordships agreed.

For Eurotunnel: John Dyson QC, Mark Howard and Vivian Ramsey (Freshfields).

For TML: Bernard Rix QC and Andrew White (Masons).

Rachel Davies
Barrister

ARTS

Manchester, Swansea and the North to celebrate the millennium

They were ringing the bells in Manchester last night and illuminating the sky with fireworks to celebrate the city's selection as UK City of Drama in 1994. Add on the cost of the lobbying and the promotional literature which secured the award and Manchester will have spent already a good chunk of the £250,000 grant it received yesterday from the Arts Council to speed it on its way.

But the whole Arts 2000 programme, under which a different part of the UK hosts a specialist arts festival in the years running up to the millennium, is more about prestige and confidence than cash. Manchester currently has the chutzpah to go the for the big events, like hosting *the Olympics*, and its plans to regenerate the reputation and vivacity of the city through boosting drama is just part of its ambitions. Next month it is holding a major festival of Expressionism and in the summer the annual festival of arts and television will be enhanced by a £1.3m three year sponsorship from the local brewer Boddingtons.

Against such commitment, built on a thriving theatrical base, the rival claim of Sussex stood little chance, although selecting a region which has almost totally ignored the arts in the past would have triggered a much greater change in attitude and made more impact on the local population. However the *imagination and co-operation* which took Sussex to the short list should ensure that the theatrical life of the county is permanently improved.

Yesterday's awards ceremony, hosted by Lord Palumbo, chairman of the Arts Council, and originator of the scheme, brought the artistic enthusiasm of the regions to London's South Bank. It made you realise that, despite the proximity of the West End and the big national companies, *London* badly *needs its own* artistic renaissance.

Swansea saw off challenges from Kirklees and Nottinghamshire to be chosen as City of Literature and Writing in 1995. The fact that this spreads the scheme to Wales undoubtedly played a part, but Swansea prepared an imaginative programme, covering two languages, plus an international dimension. The bequest by the council of a fine Edwardian building *in its docklands area as* a National Centre for Literature also impressed the judges. Swansea's approach seems very down to earth. It pledged yesterday that it will incorporate in its plans the best ideas on offer from Kirklees and Nottinghamshire.

The north, England upwards of Yorkshire, is to be the Region for the Visual Arts in 1996, at the expense of Glasgow, Bradford and Hampshire, who were also short listed from among a dozen applicants. In this case the selectors went for an area with big ambitions but little past achievement. The region now plans to open much needed art galleries across its wide open spaces, a landscape which played *a big* part in its proposals.

Arts 2000 seems to have caught the popular imagination, at least that of local councillors. Years designated to architecture, photography, opera, etc, will be open to offers soon.

Antony Thorncroft

TELEVISION

A contrast of cultures

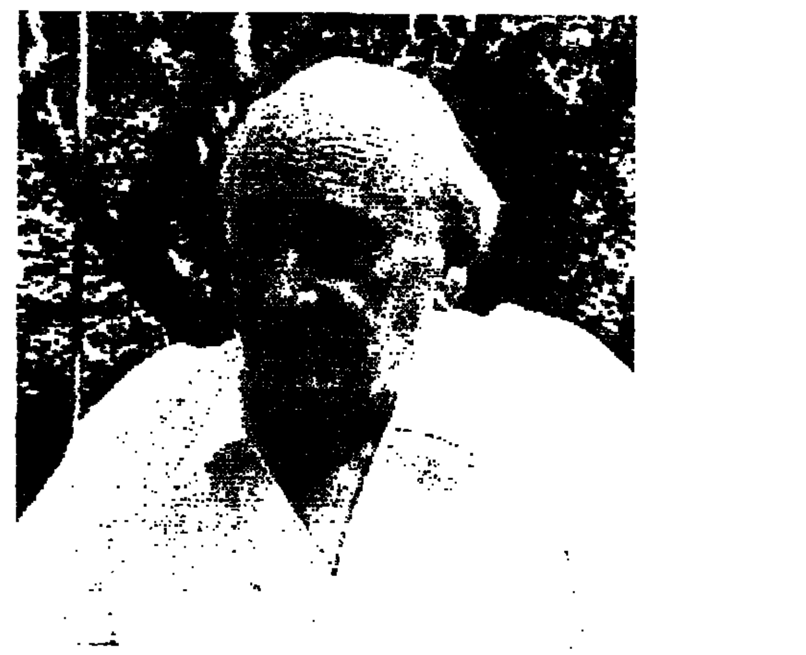
Dear heavens, don't Americans, or an awful lot of them, make you cringe? Their obsessive self-regard is so embarrassing. Last week's *40 Minutes* (now run by a woman, incidentally) was about a "Wild Man Gathering" for chaps who wanted to "get in touch with their feelings". They spent a weekend in the country living in tents, playing games in the woods, sitting around the camp fire, and wearing silly hats. Other countries call it Scouting For Boys but in the US this is called "male bonding". To be fair, no self respecting Scout would be able to weep to camera with the readiness of this little lot. It was yet another vivid example of the fixation on introspection among Americans *today*, all of a piece with psychoanalysis ("I want to know all about me, me, me") and the women's movement ("Never mind about anyone else, the world is unfair to me, me, me"). Behind the programme there seemed to be some idea that the "real man" movement is a reaction against feminism, but the more you watched the clearer it became that the feminists now have these men exactly where they want them. "There's something about having this man come up behind you" said one of the Men "and you can feel his whiskers, and his arms around you, and he's telling you he loves you and he's fond of you, that's what we need". To be just like women, in other words.

★

And yet . . . it is very difficult not to admire Americans (or an *awful lot of them) because* theirs is such a vigorous culture, however shallow and transient some aspects of it may be. The thought was prompted by last night's *Without Walls* on Channel 4, the first of five "conversations" about the "fin de siècle" with Saul Bellow floating in some high glass tower in Chicago, flanked by Conor Cruise O'Brien and Mario Vargas Llosa. Bellow, who has always been a bit of an Eeyore, seems to get more pessimistic with age. He began the programme by asserting that for the first time in the history of the republic parents now doubt that their children will live as good a life as they have (do they?) and later made it clear that it is the demagogues of "multiculturalism" and the awfulness of "political correctness" which induce gloom. But the producers had no trouble in bringing us people such as writer David Rieff who see matters in an entirely different light. The point is there *is* a debate going on, and in the US the "culture" is something *which changes and develops*, and is a part of today.

★

Compare that with the picture of a national culture presented in *The Germans*, a series beginning on Channel 4 tomorrow evening. In part, of course, the contrast may come from the different approaches of the producers, but whereas America emerges as a society which is troubled because it is wrestling with the problems of today, Germany seems to be hunting for a cultural identity which is hidden somewhere in its past, whether in the church, politics, or social mores. Perhaps *The Germans* is too predictable in its approach, but that is unlikely to be making the broad picture desperately inac*curate. Give a bunch of Mar*tians these two programmes and ask them to choose one society to live in, and the bright and lively ones would surely opt for the US. Of course a very, very bright Martian might say "If you really wanted us *to* begin *to* understand about these societies you should have screened open-ended studio discussions *with the speakers against* black backgrounds, instead of all those busy-busy street scenes which told us so little. You could have called them *After Dark*".



'Wild Man Gathering', (left): American men are intent on getting in touch with their feelings; while in Germany the hunt is on for a cultural identity: Prince Louis Ferdinand of Prussia would be heir to the German throne, if there was one

★

Possessors of Astra satellite dishes will find that transponder 26 is currently carrying advertisments for something called The Adult Channel which, we are told, will open on Friday night, transmitting from midnight until 4.00 am, seven nights a week. Those interested in a regular supply of the sort of soft porn which is being illustrated in the advertisments – nipple arousal seems to constitute an awfully large proportion – must write to a Bristol address with a cheque *for £28.50 for* six months or £50 *for* a year. Two thoughts are prompted. First, £50 for a single channel transmitting four hours a day, compares badly with the cost of BBC television. BBC1 transmits about 20 hours a day and BBC2 about 16.5. A colour licence costs £77. Thus the cost-per-hour of the Adult Channel, if my arithmetic is *right, will be about seven* times the cost of BBC television: 3.4p instead of 0.5p – and the BBC chucks in five radio networks for nothing. Secondly, having watched the supposedly "adult" material put out on Astra by the Dutch and Germans on Saturday nights, and occasionally Fridays, and assuming this is even a vaguely accurate guide to what is available to the new Adult Channel, I wonder how long any real adult will be able to stand it. The Germans have a regular strand, something like the *Carry On* films but set in the Tyrol with lots of lederhosen and regular bonking: this seems to set both the standards and the pattern for everything else. The joky and mechanical nature of the sex is about as far removed from (say) the truly erotic bed scene in *Don't Look Now* as it is possible to be. Even in the more serious movies sex rarely has anything to do with love, sensuality, or passion; it is unimaginative, repetitive, and gonad numbingly boring.

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How does Channel 4 continue *so successfully to spread* abroad the notion that it is a "special" channel, showing radically different material from other channels, dealing largely in innovation and catering mainly for minorities? Of course it gets low viewing figures, but is that on its own a good enough argument? Consider this evening's schedule as displayed in *Radio Times*. It begins with *The Oprah Winfrey Show*, a chat show imported from the US, and goes on to a repeat of *Laurel And Hardy*. Then comes another American series, *Kate And Allie* (Channel 4 has always screened more cheap American imports than any other channel). *Tonight With Jonathan Ross* is the most flippant and superficial chat show anywhere on British television, which is saying something. It is followed by *Channel 4 News* which is good but would not look out of place on other channels. *Brookside* is a soap opera which attracts some 5.5m viewers, about 25 per cent of the ratings achieved by *Coronation Street* and *EastEnders*. *Travelog* is a travel programmed much like other travel programmers. *Dispatches* a good current affairs series, much like others. *He-Play* is a series of 15-minute dramas by new writers, an admirable idea, but one used by BBC2. *Golden Girls* is another American comedy and *The Secret Cabaret With Simon Drake* a variety show. *Drop The Dead Donkey* (another repeat) is very funny, but the sort of comedy which might well appear on any channel. At 11.30 with *291 Club* we finally come to an example of material unlikely to be screened elsewhere: a (sort of) black talent show. The Jonathan Ross show has another airing at 12.30 and is followed by a 10-minute puppet show. BBC2 is a far more idiosyncratic network with much greater success in getting specialist programmers into its Top 10, last week *Food And Drink, Perpetual Motion* and *Crufts 92* while Channel 4 filled its Top 10 with three soaps, five game shows, and two American comedies.

★

Those who reckon that the spin doctors and media manipulators have pretty well perfected the art of leading the populace by the nose might take note of the fortunes of Kylie Minogue and Samantha Fox. Huge efforts have been made to turn both into Madonna-style sex symbols but in both cases the British have guffawed and changed channels. In her latest attempt to trade up from the teenybopper market Minogue has made a video in which she pouts a lot and flaunts her stocking tops, yet no one takes a scrap of notice. When Fox appeared on the *Jonathan Ross* show last week and Ross explained what a jolly big star she is in India, the London audience just laughed. After Ross had shown a clip of her jerking her big hips in sequinned hot pants they laughed some more. Perhaps the public is a bit less biddable than the doom merchants believe.

Christopher Dunkley

London Sinfonietta, Glass and Larrocha

QUEEN ELIZABETH HALL/ROYAL FESTIVAL HALL

The London Sinfonietta has been *criticised more that once over recent* seasons for the narrowness of its programming – for keeping faith too exclusively with the composers of the post-war generation with whom its reputation was established, and in doing so failing to nurture as wide a range of younger composers as they might have done.

There has been undoubtedly been some substance to those accusations but the orchestra's programme on Monday, conducted by Oliver Knussen, was exemplary in its youthful content: the eldest of the five composers represented was 33, the youngest 21, and only one of them, Magnus Lindberg, could be regarded as an established, familiar figure.

The proper happy ending to such an enterprising, sparkily delivered programme would of course have been a revelatory experience, a sequence of performances bringing into the spotlight young composers of fully rounded individuality and assurance. It wasn't quite like that; only Lindberg's substantial piece *Joy* seemed to be stamped with authority and stylistic confidence, while David Horne's *Out of the Air*, first heard in Birmingham last year, impressed again for its sustained fluency rather than its striking ideas.

The remaining composers – linked, it seems, by an attachment to Tanglewood, where Knussen is a course director – generally worked within a middling post-modern idiom that was as hard to pin down as it was unmemorable. In Rob Zuidam's *Dinamismo di cane al guingazaglio* the music was streaked with hints of brassy Dutch minimalism; for Detlev Galnert's *Mahler/Skizze* the mood was dark, compacted and expressionist, while John Gibson's *Flight of Fancy* was a suite of uncomplicated character pieces that had Coplandesque hints of wide open spaces.

The Lindberg piece was at once far more ambitious and demanding. It was commissioned by the Ensemble Intercontemporain and first played by the group a year ago; the 23 instruments are augmented by a battery of electronic keyboards and sampled sounds. There are recognisable Parisian fingerprints – the synthesised skitterings patented at IRCAM and the discomfiting unison doublings of live and *electronic tones* – but they are contained within a lucid if fractionally overlong scheme that is packed with the big gestures, the real ideas, that make Lindberg's music fascinating and rewarding.

★

The very last two adjectives which could have been applied to Philip Glass's solo piano recital in the Royal Festival Hall last week would have been fascinating and rewarding; that Glass should feel the financial or artistic need to embark on such a gruesome enterprise was the only point of interest. He is a competent pianist, no more, and his playing was spotted with memory lapses as he riffled through a series of arrangements drawn from his music of the last 15 years.

Taken out of context Glass's work seems more schematic than ever, though one is left with some admiration for his scoring, which evidently provides an edge and muscularity to the textures that his pianism could never imitate. *Perhaps a more brilliant performer* might have enlivened the textures, added light and shade, teased out inner parts; but then more brilliant pianists would be unlikely to concern themselves with such warmed-up musical gruel.

Andrew Clements

Alicia de Larrocha is now a member of a select group of pianists, those whose solo recitals attract substantial numbers of people to the Festival Hall. The limpid beauty of her playing brings with it an uncompromised benediction; the qualities of serenity, warmth and radiance have been distilled by the years. No wonder there seemed to be a notable number of student-age audience-members on *Sunday afternoon: in her manner* and style the least didactic of pianists, she is nevertheless a mature model of pianistic virtues and graces.

She plays Haydn without the least recourse to point-making, and Beethoven without letting the faintest touch of pressured, whipped-up urgency mar her unfolding of argument. Eloquently simple line-shaping, concentration on colour-shading: these were the features, and the delights, of her Haydn F minor Andante and Variations and her Beethoven D major ("Pastoral") Sonata, Op. 28. It is hard to describe both performances without making them sound placid, lacking in dramatic *vitality; and hard to do justice* to the shining musicality with which they were imbued, which gave the impression – rare, wonderful illusion! – that the notes were singing themselves, free of all editorial interference.

Upon these composers Miss de Larrocha sheds a light that is all her own. In Granados – on this occasion four of the best-known numbers from the *Goyescas* Suites plus "El pelele" – she is of course incomparable, the pianistic equivalent of Victoria de los Angeles *in her ability to enrich these lovely* but slight piano reveries with a feeling of what one can only call civilisation, so that their importance seems out of proportion to their length and weight.

Over the years Miss de Larrocha seems to have become an ever more patient expounder of the "Fandango by candlelight" and the pulsating rhythms of "El pelele". The climax is built with infinite control, over a broader, steadier span, but there seems no loss of coruscating vitality in the fingerwork. Precious pianist, *precious experience*.

Max Loppert

Talking Heads

COMEDY THEATRE

Whatever else may be said about Alan Bennett's *Talking Heads*, it certainly isn't funny. Adjectives that come to mind are racist, cruel, condescending and bilious. It is also quintessentially English. *Talking Heads* has the authentic English whinge; if there is anything to complain about, complain – not because you that something might be done *about it, but because of the satisfac*tion of making the complaint.

That may be unfair. Bennett's three monologues, part of a series first shown on television, are plainly meant to be about loneliness: in particular, the loneliness of the lower middle class, women who are not married and who see their expectations fading away. As you might expect from Bennett, the flavour is northern, dour: it is as if the second world war is still going on. The English are enjoying adversity; having a good laugh about it, or a good cry, as the case may be.

People who saw the series on television have told me that it worked very well. I can report only on the stage version. The trouble is that it lacks both satire and sympathy. The formula is mechanical. It may well be true, for example, that many *English people have resented the* post-war influx of blacks and Asians to this country. It is inadequate, however, to make sniggering jokes either about the immigrants or reactions to them by the indigenous community.

That is what Bennett does all the time in this triplet. "They sell mangoes in the Post Office" or "I smelled curry on my *Woman's Own*". It is the same patronising attitude towards blacks as practised by Harold Pinter. It may be true that most English people are snobs, all the way down the class line. Yet what is funny about a man who exposes himself outside of Sainsbury's and the riposte of one of Bennett's characters, "As mother says, Tesco's you could understand"?

In short, this is abysmal stuff. There is a touch of English nostalgia in the woman who notes the number of policemen nowadays who wear glasses and another who remembers as she is dying that she has always been lucky with buses – "I don't think I've ever had to wait for more than two minutes". But that's about it.

The first monologue by Patricia Routledge is the longest; one assumed that it was therefore the weakest. It turned out be the best. From then on, it is down hill all the way. Bennett does a turn himself as an unmarried son, still living with his mother and suspected of reading too much. Then Ms Routledge comes back as an arch/complainer letter-writer who discovers that she has never felt so free as when she is sent to prison. Possibly the message is *that England's a prison. Certainly* Bennett's England is. One is agog to see what his characters will do with a citizen's charter.

● In my review on Monday I referred to Brian Friel's *Faith Healer* at the Royal Court as a new play. It was first performed in 1980, but was new to me. I apologise.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in music by Schoenberg and Bruckner, repeated tomorrow. Tonight in the Kleine Zaal: Stuttgart Piano Trio in an all-Schubert programme (6718 345)
Muziektheater 20.00 Final performance this season of Offenbach's Les brigands. Tomorrow: Die Frau ohne Schatten. Fri: Nederlands Dans Theater (6255 455/credit card bookings 6211 211)

■ BERLIN

Schauspielhaus 19.30 Anthony Rooley directs the Consort of Musicke in a programme of Renaissance vocal music. Tomorrow and Fri: Milan Horvat conducts the Berlin Symphony Orchestra (East Berlin 2272 261)

■ BRUSSELS

Palais des Beaux Arts 20.30 Moscow Chamber Opera production of Shostakovich's The Nose. Fri: Pierre Bartholomée conducts the Liège Philharmonic Orchestra in music by Dvorak, Stravinsky and Richard Strauss. Sat: Sian Edwards conducts the Belgian National Orchestra (507 8200)

■ FRANKFURT

Alte Oper 20.00 Bruno Giuranna directs the Orchestra da Camera di Padova e del veneto in a *programme* of Mozart piano concertos, with soloists Anthony and Joseph Paratore, and Yasuko Matsuda. Tomorrow and Fri: Dmitri Kitaenko conducts music by Barber, Brahms and Prokofiev. Sun: Christopher Hogwood directs the Academy of Ancient Music (*1340 400*)
Opernhaus 20.00 Three Amanda Miller choreographies. Tomorrow: Ariadne auf Naxos. Fri and Sun: Die Zauberflöte. Sat: Moses und Aron (236061)

■ GOTHENBURG

Konserthus 19.30 Sixten Ehrling conducts the Gothenburg Symphony Orchestra *in* the Fourth Symphony (The Revelation of St John) of Hilding Rosenberg (1892-1985). The baritone soloist is Hakan Hagegard (*167000*)

■ THE HAGUE

Danstheater 20.15 Nederlands Dans Theater in choreographies by Jiri Kylian, Hans van Manen and David *Parsons, repeated tomorrow in* Den Bosch, Fri in Amsterdam and on Sat and next Tues in The Hague (360 4930)
Dr Anton Philipszaal 20.15 Reinbert de Leeuw conducts the Schoenberg Ensemble in music by Ives and Morton Feldman. Sat and Sun: Vasili Sinaiski conducts the Residentie Orchestra *in* orchestral and operatic music by Tchaikovsky, Glinka, Balakirev, Rimsky-Korsakov and others (360 9810)

■ LONDON

Covent Garden 19.00 Carlo Rizzi conducts Johannes Schaaf's production of Così fan tutte. Fri and Sat: La fille mal gardée (071-240 1066)
Coliseum 19.00 Ivor Bolton conducts Nicholas Hytner's production of Xerxes, with Ann Murray in the title role, also Fri. Tomorrow: first night of new Königskinder production. (071-836 3161)
Royal Festival Hall 19.30 James Blair conducts the Young Musicians Symphony Orchestra in The Rite of Spring and Beethoven's Emperor Concerto, with Malcolm Binns. Tomorrow: Franz Welser-Most conducts the LPO (071-928 8800)
Queen Elizabeth Hall *19.45 Iona* Brown directs the Academy of St Martin *in* the Fields in music by Bach, Handel and Brahms (071-928 8800)

■ NEW YORK

THEATRE

● Two Shakespearean Actors: Richard Nelson's play about England's leading actor William Macready (Brian Bedford) and America's matinee idol Edwin Forrest (Victor Garber), whose different interpretations of Macbeth caused theatregoers to riot on Astor Place in New York in 1849. Directed by Jack O'Brien (Cort Theater, 138 West 48th St, 239 6200).

● A Comedy of Errors: *Shakespeare's comedy directed* by William Gaskill, with a cast including Michael Rogers, Ramon Ramos, Peter Schmitz and Jeffrey Guyton (St Clements Church, 423 West 46th St, 279 4200).

● From the Mississippi Delta: Endesha Ida Mae Holland's possibly autobiographical play about a young woman who blazes her way from rebellious prostitute to Ph.D. Jonathan Wilson directs Jacqueline Williams, Sybil Walker and Cheryl Lynn Bruce (Circle In the Square Downtown Theater, 159 Bleecker St, 254 6330).

● Born in the R.S.A.: Barney Simon's play, directed by Michael LaPolla, about the conflicting demands of loyalty facing blacks and whites in contemporary South Africa (Judith Anderson Theater, 422 West 42nd St, 741 5542).

● Galileo: Harris Berlinsky plays the title role in a revival of the Brecht play, presented in an early English version by Charles *Laughton and directed by Eve* Adamson (Bouwerie Lane Theater, 330 Bowery, 677 0060).

● Ticketron answers inquiries and sells tickets for a wide range of theatre performances (246 0102)

MUSIC

Metropolitan Opera 20.00 James Conlon conducts Der fliegende Holländer, with a cast including James Morris, Matti Salminen, Gary Lakes and Janis Martin. Tomorrow: L'elisir d'amore (362 6000)
New York State Theater 20.00 City Ballet in Balanchine's Divertimento No 15 and the world premiere of a new Peter Martins work to a specially commissioned score by Charles Wuorinen, based on themes by Mozart. *Season runs* daily except Mon till Feb 23 (870 5570)

■ PARIS

Salle Pleyel 20.30 Carlo Maria Giulini conducts the Orchestre de Paris and Chorus in Verdi's Requiem, with Cheryl Studer, Florence Quivar, Gösta Winbergh and Roberto Scandiuzzi. Also tomorrow and Sat (4563 0796). Tomorrow in Salle Gaveau: a tribute to Lily Laskine, the French harpist (4953 0507)
Palais Garnier 19.30 Ballet de Marseille in Roland Petit's production of Sleeping Beauty. Daily till Sun (4017 3535)
Théâtre des Champs-Elysées 20.30 Yo-Yo Ma, Paul Meyer and Emanuel Ax play music for cello, clarinet and piano by Brahms. Tomorrow: Rudolf Barshai conducts the Orchestre National de France in music by Schoenberg, Liszt and *Lokchin. Fri: Alban Berg Quartet.* Sat: Imogen Cooper plays Dvorak's Piano Quintet Op 81 with the Chilingirian Quartet (4720 3637)
Auditorium, Forum des Halles 19.30 Peter Eötvös conducts Philippe Fénelon's new opera Le Chevalier Imaginaire, based on Cervantes and Kafka, also Fri. Fri in Châtelet: Lieder recital by Lucia Popp (4028 2840)
Opéra Comique 19.30 William Christie conducts Lully's Atys. Also Fri, Sat and Sun (4286 8883)

■ PRAGUE

Tonight's Prague Symphony Orchestra concert at the Smetana Hall, conducted by Vladimir Valek, features the premiere of a new bassoon concerto by Ladislav *Simon, plus symphonies by* Saint-Saëns and Beethoven (u Prasne brany 2, 232 5858). The National Theatre's repertory includes a new production of La bohème conducted by Oliver Dohnanyi. The Smetana Theatre has Madama Butterfly (tonight) and Rienzi (Fri).

For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

■ ROME

Teatro dell'Opera 20.30 Georg Solti conducts the Bavarian Radio Symphony Orchestra in symphonies by Shostakovich and Mendelssohn. Tomorrow and Sun: Il barbiere di Siviglia (488 3641). Tomorrow at Teatro Olimpico: Vermeer Quartet (3234 890)

■ STOCKHOLM

Royal Opera 19.30 Siegfried Köhler conducts Leif Söderström's production of Simon Boccanegra. Tomorrow: Die Zauberflöte. Fri: The Aspern Papers (248240)
Konserthuset 19.30 Michel Tabachnik conducts the Stockholm Philharmonic Orchestra in music by Lindberg, Bartok and Mussorgsky/Ravel, repeated tomorrow. Sun: George Cleve conducts the Stockholm Chamber Orchestra in music by Beethoven, *Mendelssohn and Haydn (244130)*. Fri in Berwaldhallen: Leif Segerstam conducts the Swedish Radio Symphony Orchestra in music by Carlstedt and Segerstam, with Gil Shaham soloist in Tchaikovsky's Violin Concerto (784 1800)

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2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads – international issues

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Wednesday January 29 1992

CBI adds to the gloom

THE UK economy "is probably 'bumping along the bottom'", the Bank of England declared back in August. Yet even the Bank has been proved over-optimistic. Mr Lamont must now concede that there was no recovery in the second half of last year. Moreover, employment, investment and output are still falling, bumpily and painfully. The room for cutting interest rates may be small; but what little there is should be taken as soon as possible.

The Treasury's optimism has been sustained by a convenient myth: that media gloom is deepest just when the recovery is under way. But yesterday's gloomy Confederation of British Industry survey has put the ball firmly back into the optimists' court.

It would be wise, the cautious may argue, to view this CBI survey with a pinch of salt. No one knows what might be influencing those who completed it: election nerves, a desire to influence the government or the previous night's television news. But this is not an excuse that the Treasury can employ. The CBI has long pushed the advantages of forward-looking confidence surveys over backward-looking official figures. But no one has more enthusiastically backed this view than Britain's beleaguered chancellor.

Economic sense

The Treasury's faith in CBI surveys does, in fact, make good economic sense. In recent decades, there has been a very close relationship between changes in its business confidence index and changes in output. While the CBI's business confidence index was rising, from −26 in July to +2 in October, this economic relationship also had considerable political appeal. All of which explains why the latest fall in its confidence index, back to −24, is so worrying, both for the government and the economy. Taken at face value, it suggests that manufacturing output will fall throughout the first half of this year. The government looks set to fight an election after the longest post-war recession, and before the recovery has begun.

This forward-looking CBI survey is already behind the times. Over the past few months, a pall of gloom has engulfed the UK economy, matched by the rush of economists to revise down their forecasts for 1992. It is easy to see why: non-oil output fell in the three months to November, compared with the previous three; retail sales fell in December and are expected to fall again in January; high debts and painfully high real interest rates have cut consumer confidence; even the fall in last year's trade deficit, to its lowest level since 1986, was largely caused by depressed demand for imports.

Wreaking damage

This combination of sluggish demand and depressed animal spirits is wreaking damage that will persist long after the election. More companies now than in the last CBI survey are expecting to cut investment and employment this year, citing uncertainty about demand as the main reason. The only good news is that increases in producer costs and prices are at their lowest recorded level in the past 30 years.

On economic grounds the case for lower interest rates is compelling. Easier monetary policy would reduce the damage to the real economy that will be inherited by whoever wins the election. Moreover, there is room to cut: sterling remains more than a pfennig above its effective floor against the D-Mark, and almost 10 pfennigs above its official floor. The government should cut rates and sell pesetas until it is just above its official floor. That, after all, is what wide bands are for.

Whether the government will choose to cut rates now or later is a political judgment; it is also one entailing obvious risks. With the short-term interest rate differential against Germany at less than 1 percentage point, cuts might have to be reversed if sterling comes under heavy pressure. This consideration will no doubt tempt Mr Lamont to delay any move on interest rates until the Budget clears the way for Mr Major to declare the official election campaign open. He would do better to cut now and, who knows, he may even sneak a second cut in March.

The wrong escape route

CONGLOMERATION, that unfashionable left-over from the managerial thinking of the 1960s, has acquired a second wind in continental Europe. Or so it would seem, in the light of recent corporate manoeuvres in Sweden and France.

First there was Mr Pehr Gyllenhammar's proposed merger, unveiled at the weekend, of the Volvo vehicle group with Swedish food and pharmaceuticals concern Procordia – a deal that was yesterday savaged by the Swedish government's advisory privatisation committee as devoid of industrial logic. Then came the French plan to merge Hachette with Matra, which would result in an outlandish-sounding combination of missiles, electronics, vehicles and publishing. The synergy here, for want of a better word, appeared to lie chiefly in the presence on both boards of Mr Jean-Luc Lagardère.

The two deals came close on the heels of earlier plans hatched by French prime minister Mrs Edith Cresson for a three-legged state conglomerate built around France Telecom, the industrial division of the French nuclear industry and the consumer electronics arm of Thomson. Precious little industrial logic there. So why the outbreak of horizontal merger activity?

One common feature, apart from the presence of powerful political or business figures in the driving seat, is that these deals offer new homes or partners for troubled companies. A large question mark hangs over future strategy and operations at Volvo, for example, where the car business has been deep in the red. Hachette faces heavy losses at La Cinq, the bankrupt television station. The limping partner in Mrs Cresson's visionary high-tech grouping, meantime, is Thomson's loss-making electronics business.

Nationalistic sentiment

There is also a powerful defensive and nationalistic strand running through these deals. Part of Mr Gyllenhammar's case for putting Procordia together with Volvo lies in the protection it would afford against foreign predators following the lifting of restrictions on foreign ownership of Swedish companies.

As for Mrs Cresson, her fascination with 1960s-style conglomeration no doubt reflects a fondness for that other outmoded beast from the 1960s menagerie, the heavily subsidised national champion. Profits from the French nuclear and telecoms industries will presumably now provide a life-support system for French electronics in such a way as to avoid running foul of European competition policy.

Difficult trick

The first snag in all this is that the conglomerate trick is an exceptionally difficult one to pull off. Companies that seek to diversify away from troubled core businesses all too often botch the takeovers and end up with more weak businesses. British Aerospace is a classic case in point. The initial falls in the share prices of Procordia and Matra at the prospect of having to absorb the respective problems of Volvo and Hachette eloquently spelt out this risk.

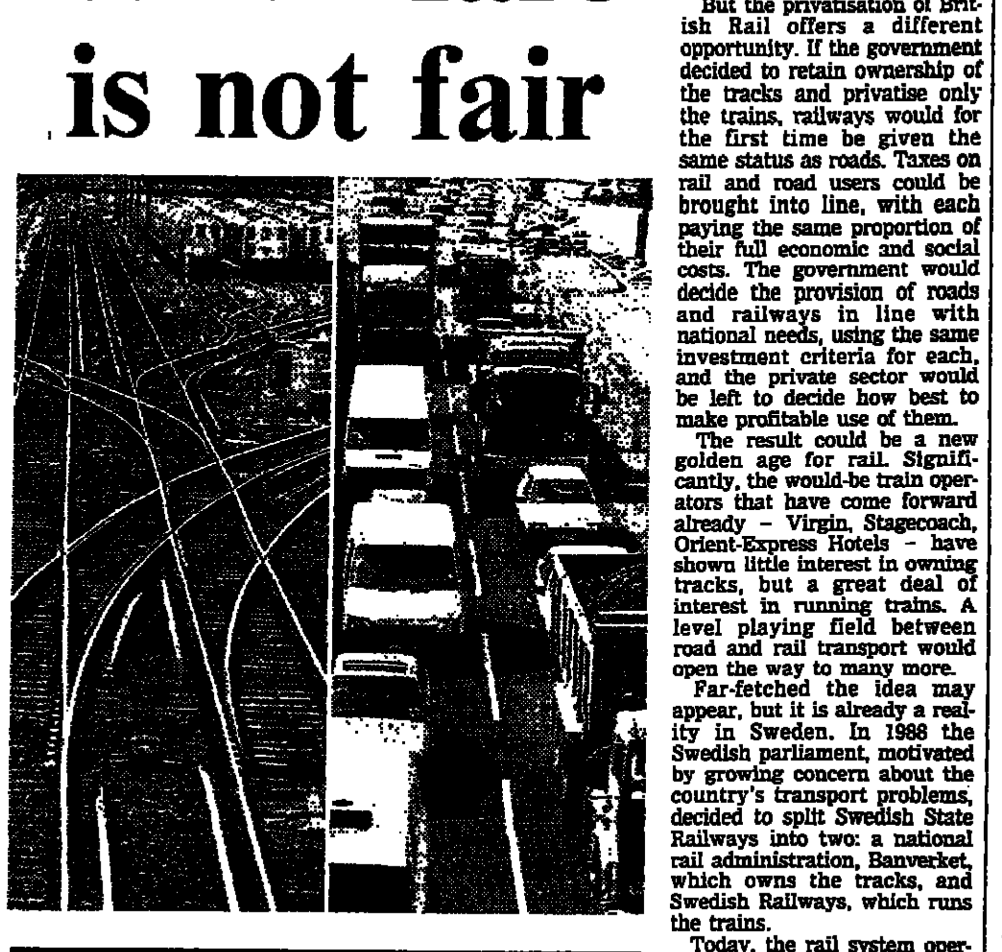
As far as the case for national champions is concerned, the focus of the argument has now switched from the United States to the Far East. Yet this ignores the fact that some of Asia's highest-growth economies have achieved their success precisely by inviting foreign multinationals to generate the lion's share of the growth. And the payment of subsidies, whether explicit or hidden, usually proves to be a debilitating distortion for the domestic economy in question.

Not all of the recent wave of takeovers and mergers in continental Europe have been devoid of industrial logic. Nestlé's bid for Source Perrier can readily be rationalised as the expansion of a portfolio of international brands. Krupp's approach to German steelmaker Hoesch was clearly driven by industrial logic.

The trouble with an active market in corporate control is that it offers an all-too-tempting escape route for industrialists driven to distraction by the problems of their core business and an equally tempting playground for the power-hungry. Shrewd de-conglomeration is a harder game to play and so, not surprisingly, rarer.

Richard Tomkins argues that road travel in the UK has built-in cost advantages over rail

When fare is not fair



UK ROAD AND RAIL INVESTMENT £m (constant 89/90 prices)	86/87	87/88	88/89	89/90	90/91*
Road	1,639	1,712	1,856	2,054	2,291*
Rail	515	620	628	715	806*

*estimated out-turn

Source: Department of Transport Report 1991

It is 9.30 on a Saturday morning in London. Alex and Sue, like many young Londoners, are going to spend the weekend with relatives – in their case, 115 miles away in Birmingham, Britain's second biggest city.

They consider two ways of getting there. If they go by train, the cheapest available second-class fare is £23 return, making £46 for the two of them. If they jump into Sue's Peugeot 205 and drive, the petrol for the round trip will cost them £11 – less than a quarter of the cost of the rail tickets.

Not surprisingly, they choose to drive.

Inadvertently, Alex and Sue have just stumbled upon the reason why the government is having so much difficulty privatising British Rail. The trouble is, few but the rich can justify the cost of catching a train where road transport offers a realistic alternative. Consequently, rail's share of the UK passenger travel market is a miserable 6 per cent, and the railways do not make money.

Superficially, it seems odd that rail travel should be more expensive than driving. The cost of moving large numbers of people in a single train should be much less than the cost of moving the same number of people in hundreds of separate road vehicles.

The explanation lies in the fact that when a rail passenger buys a ticket, he or she contributes not only to the cost of operating the train, but to the cost of the railway tracks, signals and stations, too. The marginal extra cost of a motorist's journey, conversely, is limited to the cost of the fuel consumed: the road is provided by the government.

It is this disequilibrium that has undermined the viability of railways the world over. Wherever governments provide roads that are free at the point of use and there is enough space left to drive on them, passenger railways are subsidised or struggling, or both.

The implication is that, if railways are to become profitable – and in doing so, play a part in easing the world's worsening transport crisis – governments will need either to start charging for the use of the roads, or relieve train operators of responsibility for the railway tracks.

The first option cuts no ice with the roads lobby. Organisations such as the British Road Federation say motorists in the UK already cover more than the full cost of the road network through the taxes they pay.

They have a point. On current forecasts, the special fuel tax levied on fuel used by road vehicles is expected to raise £10.8bn this year, and vehicle excise duty another £3.1bn. The total of £13.9bn is more than double the £6.1bn forecast to be spent this year on the building, maintenance and policing of roads.

Excluded from this assessment, however, are the so-called social costs of motoring. The Department of Transport says the costs to society of road deaths and injuries was £6.8bn in 1990; a frequently cited study by the Confederation of British Industry has put the annual costs of road congestion at £15bn; and, in accordance with the widely accepted "polluter pays" principle, the green-tinged Environmental Transport Association, a lobby group, estimates that road users should be charged £2.3bn a year to reflect the environmental damage they cause.

By comparison, the social costs imposed by rail travel are small; yet the absence of a road pricing structure encourages people to make as much use as possible of their cars to justify the high initial outlay made in acquiring them.

Worse, the absence of charges for road use has created an adverse climate for rail investment by distorting decisions on the relative merits of road and rail schemes.

Under Department of Transport rules, the case for rail investment is judged solely according to commercial criteria. An investment will only normally proceed if the fare revenue it generates delivers a financial rate of return of 8 per cent or more.

In the case of new road schemes, however, the absence of a pricing structure means that commercial criteria cannot be applied. Instead, the Department of Transport carries out a cost-benefit analysis to see whether the road should be built.

Put simply, this means adding up the potential benefits to road users (mainly, savings in drivers' time, savings in vehicle operating costs, and reductions in accidents); giving them a notional monetary value; and then calculating whether this value delivers an 8 per cent return on the cost of the scheme.

Railways are doubly disadvantaged by this system: first, because the appraisal of rail schemes excludes any consideration of benefits to users or non-users, and second, because the appraisal of road schemes puts a value on only the positive aspects of roadbuilding – not the negative ones, such as environmental damage.

Thus, road schemes proliferate while investment in big rail projects is scarce. Absurdly, in rare instances where the government decides that it wants to proceed with a rail project even though it fails the normal commercial test – as with the recent decision to approve the east-west London CrossRail scheme – it uses a road-style cost-benefit analysis to justify the project instead.

One obvious way of levelling the playing field between road and rail would be to introduce a road pricing system which charged people not just for the direct costs of the roads they used, but for the social costs, too. Then, rational decisions about priorities for road and rail schemes could be based on people's preparedness to pay.

Political realities, however, mean that road pricing is still some way off. Voters do not like paying for what they are accustomed to receiving free.

But the privatisation of British Rail offers a different opportunity. If the government decided to retain ownership of the tracks and privatise only the trains, railways would for the first time be given the same status as roads. Taxes on rail and road users could be brought into line, with each paying the same proportion of their full economic and social costs. The government would decide the provision of roads and railways in line with national needs, using the same investment criteria for each, and the private sector would be left to decide how best to make profitable use of them.

The result could be a new golden age for rail. Significantly, the would-be train operators that have come forward already – Virgin, Stagecoach, Orient-Express Hotels – have shown little interest in owning tracks, but a great deal of interest in running trains. A level playing field between road and rail transport would open the way to many more.

Far-fetched the idea may appear, but it is already a reality in Sweden. In 1988 the Swedish parliament, motivated by growing concern about the country's transport problems, decided to split Swedish State Railways into two: a national rail administration, Banverket, which owns the tracks, and Swedish Railways, which runs the trains.

Today, the rail system operates much like the roads. Swedish Railways, although still state-owned, has been put on a commercial basis with a view to ultimate privatisation, while Banverket's investments are planned to achieve maximum benefit to the social economy.

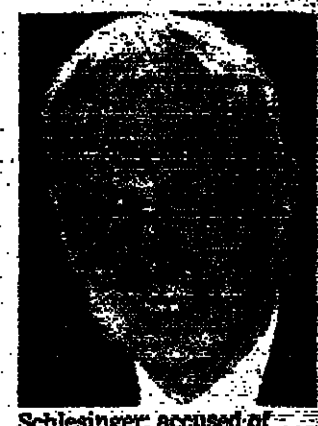
Rail vehicles, just like road vehicles, pay an annual licence fee to the government, plus a fuel tax and a distance-related charge. Road users, meanwhile, have faced matching increases in their tax regime – notably in the form of a carbon tax applied to fuel.

Results of the scheme so far have included a transformation into profit of the previously heavily loss-making Swedish Railways; the introduction of new train services; the entry into the market of three private freight train operators and one private passenger train operator; and plans for SKr45bn (£4.5bn) of rail investment to the end of the decade.

Could it happen in Britain? Privatisation offers the opportunity, if ministers could brace themselves to grasp it. The alternative, of course, would be to privatise the roads and impose a tax on owners for the social costs of operating them. But not even 13 years of Conservatism has yet put that proposal on the agenda; and, given the private sector's lack of interest in building toll roads, the question of finding a buyer could prove more than a little troublesome.

Family quarrel at Bundesbank

David Marsh on the ructions that have followed Maastricht



Schlesinger: accused of being too compliant

Mr Helmut Schlesinger, the president of the Bundesbank, is not used to being called a softie. Over the years, the long-time vice-president of the German central bank, who took over the top job after the resignation of Mr Karl Otto Pöhl last August, has built up a reputation for being a hard-nosed and sometimes dogmatic monetary technocrat.

During the last few weeks, however, Mr Schlesinger has come under growing criticism within the ranks of the Bundesbank's 16-man policymaking council. Some members accuse him of being too compliant in supporting the European Monetary Union deal agreed by Chancellor Helmut Kohl at the Maastricht summit last month.

Mr Kohl bowed to French and Italian pressure by giving his blessing to a timetable for Emu which would bring about the demise of the D-Mark by the end of the century. But he failed to achieve his stated target of linking the move with European political union.

In the months before the summit, Mr Kohl had insisted – with Bundesbank support – that Europe could adopt a single currency only if there was a parallel move to a federal state. There is strong economic and political logic to Mr Kohl's position, as monetary union is likely to be practicable only if there is centralised fiscal control in Europe.

Only a week before Maastricht, Mr Kohl said publicly that he would not accept giving up Germany's monetary sovereignty if the goal of political union remained simply a "castle in the air". In fact, "castle in the air" is a good description of the relatively vague commitment to political union that emerged.

In the past, Mr Schlesinger has made it clear that he, too, believes that monetary union without political union will not work. Since Maastricht, his comments on the Emu deal have been restrained; his critics on the council say he should have been more vigorous in pointing out loopholes.

In recent weeks, several influential council members, ranging from Mr Wilhelm Nölling, the Social Democrat chief of the Hamburg central bank, to Mr Lothar Müller, the conservative Bavarian representative, have declared their scepticism over Maastricht – effectively challenging Mr Schlesinger to do the same.

After a long discussion at last Thursday's council meeting, the Bundesbank intends to publish a special declaration next month on the Maastricht outcome. Although the language will be cautious, the misgivings over the lack of progress on political union are expected to be clear.

The family quarrel among the council members also has implications for current interest rate policy. Bundesbank insiders say that disquiet over Emu played a part in determining the size of the Bundesbank's pre-Christmas rate rises, which upset the rest of Europe. The discount and Lombard rates both rose by ½ point: Mr Schlesinger had favoured a ¼ point increase in the Lombard, partly because of the international sensitivity, but was overruled by a majority of seven to six. (There were two abstentions, and one member of the council was absent.)

There was a strong body of opinion on the council that Mr Kohl's agreement to a firm date for the start of Emu made it vital for the Bundesbank to to emphasise its anti-inflation credentials. Pointing to concern about Germany's 4 per cent inflation rate and high wage claims, one council member said yesterday: "If Germany does not have price stability, the rest of Europe cannot be stable. A high inflation rate in Germany leads to higher inflation in the rest of Europe."

Understandably, the Bundesbank is trying to keep the dispute as far as possible under wraps. The issue of the Bundesbank's degree of independence from government caused ructions during the 1990 introduction of the D-Mark into east Germany. It was one of the factors behind the acrimony between Mr Pöhl and Mr Kohl that helped spur Mr Pöhl's departure last year. Charges that the Bundesbank is trying to interfere in a political process are one reason for Mr Schlesinger's diplomatic silence in the last few weeks.

The row over German monetary union centred on the conditions under which the Bundesbank would extend the sovereignty of its monetary policy eastwards. This time the debate is potentially far more virulent: how and when the D-Mark would be abandoned in return for a new European currency.

The Bundesbank's misgivings about giving up the D-Mark appear to be shared, according to opinion polls, by a large percentage of the German population. The Bundesbank cannot – and indeed does not want to – sabotage Emu directly, but it can contribute to a climate of opinion in which parliamentary ratification of the Maastricht treaty becomes difficult.

OBSERVER

Teething trouble

■ The European Bank for Reconstruction and Development's first equity investment in a privately owned eastern European company – Hungary's Microsystem – looks to be less than a textbook case of how to harness international equity flows for cash-strapped entrepreneurs.

Microsytem approached Salomon Brothers International for help with a small equity private placement last May. EBRD, which had hired Salomon's European investment banking chief Ronald Freeman to head its own merchant banking operation, also got involved. All went well until Salomon's London office began feeling the fall-out of the US treasury bond scandal.

Upset by the lack of commitment and high turnover of Salomon staff working on the deal, Microsystem chairman Peter Vadasz complained to Lord Young, the former UK cabinet minister and Salomon director, who had introduced him to the firm in the first place. Vadasz said Salomon's handling of his placement resembled something written by Kafka, and its "irresponsible, cynical and unaccountable" behaviour was damaging his company.

The appeal to Mrs Thatcher's former troubleshooter seemed to do the trick. Salomon plumbed its own pocket to make up the difference, enabling its partner EBRD to close its first equity investment in eastern Europe, and everyone is smiling again.

But it may take a little longer to repair Salomon's reputation in an area where it was supposed to reign supreme.

Bat's life

■ It was one of those cruel coincidences. On the very day that Labour launched a poster campaign to ridicule Norman Lamont by adorning him with black mask and cape and labelling him Vatman, a ministerial colleague was answering an important parliamentary question. The subject: the protection of certain species of bats on development sites. The chancellor can take heart, though, from the assurance of Nicholas Bennett, the Welsh minister, that the government intends to enforce vigorously the 1981 Wildlife and Countryside Act to ensure bats survive any upturn in the economy.

Professional view

■ A reader telephoned the Chartered Institute of Bankers to ask for his exam results, and was told he would have to pay for a detailed breakdown. He offered to pay by credit card, but was refused. The institute says the rates charged by credit card companies (all owned by banks) are too high.

On board

■ After four years of trying, the Norwegian corporate predator Torstein Hagen has finally been offered a seat on the eight-strong supervisory board of Nedlloyd, the poorly performing Dutch transportation group. As Hagen claims to speak for over a quarter of Nedlloyd's equity, the event is scarcely a victory for shareholder democracy.

Hagen has had to make several concessions. He has got fewer board seats than he wanted. Moreover Nedlloyd says that despite his appointment, which still has to be agreed by its employees' council, there will be no change in its strategy, structure, or articles of incorporation. So it is hard to see how he could push through any radical reshaping of the group.

Whether investors in

Hagen's own Marine Investments company will take as patient an attitude, is another question. They are unlikely to be prepared to wait much longer for a decent return on their highly illiquid stake in Nedlloyd.

Innovators

■ Sir Kit McMahon has found a retirement interest which suits his intellectual abilities as well as his experience of the financial sector.

The former Bank of England deputy governor and Midland Bank chairman is a member of a proposed London-based think-tank on financial innovation. Some $1.4m is being raised for the Centre for the Study of Financial Innovation (CSFI) which should be operational by next summer.

"Financial innovation has been one of the main ways people make, and lose, money," says Andrew Hilton, a former World Bank economist and director-designate. He has already won the support of the Bank of England, EC Commissioner Sir Leon Brittan and SIB chairman Sir David Walker, for the project. The governing council includes Euromarkets pioneer Minos Zombanakis and John Heimann, chairman of Merrill Lynch Global Financial Institutions, as well as McMahon.

Italian job

■ Enzo Berlanda, the new head of Italy's stock market and companies watchdog, Consob, may be the breath of fresh air the country's financial markets have been waiting for. While chairman of the senate's finance committee, Berlanda, 65, played a central role in pushing forward long-awaited legislation to modernise Italy's financial markets and improve their "cowboy" image.

His appointment was warmly greeted by the trade - not always the case when an ex-politician parachutes into a top job in Italy. Milanese brokers praised his professionalism and honesty in particular.

But with trouble brewing with Brussels over aspects of the stock market reform and long overdue legislation to protect minority shareholders still stuck in parliament, Berlanda may need all his political skills in his new job.

The European Commission has already started to take action over the law on Sims, Italy's new breed of broking-cum-fund management institution – on the grounds that it violates the Treaty of Rome by obliging foreign houses to set up shop in Italy. And with the Rome parliament about to be dissolved, Berlanda will have his work cut out trying to get the new rules on minority shareholders' rights in takeover bids passed before the polls.

Matched pair

■ A new City office-block on the corner of Blomfield Street and London Wall sports two retail outlets. One is a shirt shop and the other, appropriately, a Thai restaurant.

LETTERS

SIB findings on life assurance policy terminations challenged – and 'polarisation' defended

From Mr Hugh Scurfield.

Sir, In three consecutive issues of the FT ("Life policies oversold" and "Tied agents 'are overselling life policies'", January 24; "The trouble with endowments is...", January 25; "City watchdog and the public", January 27) reference is made to a Securities and Investments Board-sponsored investigation into early termination rates of life assurance policies. It seemed to me there must be some fundamental error in the investigation and I examined the Norwich Union figures included in the survey.

Our first year termination rate in 1990 was 2.6 per cent for 10- and 25-year endowments – a very reasonable figure. The figure included in the analysis for Norwich Union showed a level three times higher than this. This has confirmed my view that the investigation is flawed and I suggest no further conclusions should be drawn from it.

Hugh Scurfield,
general manager and actuary,
Norwich Union,
25-27 Surrey Street,
Norwich NR1 3TA

From M D Ross.

Sir, In recent articles, sweeping generalisations have been made about the life assurance industry which require challenge. First, among the leading life offices such as Scottish Widows lapse rates are at nothing like the levels referred to. Some 60 to 70 per cent of our policyholders stay over a 20-year period. They get remarkable value for money as do many who for varying reasons cancel their policies early.

Much is made of the high front-end selling costs of life products. The leading life companies over the years have helped create considerable investment in UK industry through saving via life and pensions products. It is quite absurd to criticise life offices for successfully achieving that while complaining about lack of sales of other products whose manufacturers have not devoted sufficient resource and money to their promotion.

Over recent years the tax system has changed, away from favouring regular long-term savings through pooled investment vehicles; it is time to redress the balance. It is not disputed that the life industry charges for its services. What we do argue is that cost comparisons must be fairly based. We see nothing about disclosure of charges under other savings vehicles such as banks and building society accounts. What charges are hidden away? How do real rates of return compare with those provided by life products and unit trusts?

Little has been said about that because of a seemingly blinkered concentration on life office charges and nothing else. This cannot be right and what we seek is not only fair comparison but also balanced debate.

M D Ross,
managing director,
Scottish Widows' Fund
and Life Assurance Society,
15 Dalkeith Road,
Edinburgh EH16 5BU

From Ms Joanne Hindle.

Sir, Your leader, "Life policies oversold", argues for unit trusts to be released from "the shackles of polarisation". But surely the purpose of polarisation is to help consumers identify the status of a distributor and determine whether or not it is acting on behalf of its client or the product provider – is independent or tied.

Polarisation should have nothing to do with product type and attempts to make it do so would serve only to confuse the consumer and could eventually weaken argument for polarisation at all. It would not take too much effort for distinctions between products to be blurred. For example, where would one place products such as pensions unit trust contracts, unitised with-profits contracts, etc?

Polarisation rules should be strengthened to ensure standards of disclosure of status are improved. It is for the distributors of any financial product to make every effort themselves to educate consumers as to the efficiency and appropriateness of that form of investment. However, nothing must affect a consumer's understanding of the meaning of polarisation and the status of the distributor.

Joanne Hindle,
chief executive officer,
IFA Promotion,
2 Greville Street,
London EC1N 8SU

A taxing type of conundrum

From Mr Alan Greene.

Sir, Reading Lex ("UK tax", January 25) leaves me asking this question. Why is a part of British industry moaning about the lack of capital allowances, which would reduce its taxable profits, while another part is saying that its taxable profits are too low, resulting in unrelieved advance corporation tax (ACT)?

Never mind the voters' lack of interest in the niceties of corporation tax, the chancellor, too, must be rather bored by the topic. Maybe if one of the leading protagonists in the anti-ACT lobby had not got rid of its UK paper and retail earnings and if others had not over-distributed to save their skins, sympathy might be extended.

Alan Greene,
32 Glen Road,
Fleet, Hampshire GU13 9QR

Charges on overdue money

From Mr B J McGinity.

Sir, Further to your article on companies' financial policies (January 27). In a number of European countries, for example Germany and Sweden, companies are automatically charged interest on monies not paid to their suppliers by the appropriate due date.

This is a significant benefit to small companies which, if they do not receive payment from their customers, can charge as much as 8 per cent over the prevailing bank rate. It is therefore advantageous for the larger companies to pay bills promptly as their interest charges on bank overdrafts are below this level. The absorption of this principle into British company law would, I believe, dramatically improve both confidence and liquidity in business.

B J McGinity,
Court Farm House,
Bishampton,
Pershore,
Worcestershire WR10 2LX

A right way to beat exhaustion

From Mr Dennis Richardson.

Sir, Why do most motor vehicles in the UK have the exhaust pipe positioned on the near side? This causes inconvenience and near-asphyxiation to people on the pavement when there is a slow-moving line of traffic.

If all right-hand drive vehicles had the exhaust pipe on the off side the gases would be expelled into the middle of the road, which would be more acceptable to pedestrians.

Manufacturers, please note.

Dennis Richardson,
Sussex Lodge,
Blenheim Close,
London, SW20 9BD

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Fiscal policy: better on auto pilot or using a steering wheel?

From Mr J C R Dow.

Sir, Mr Samuel Brittan remarks (Economic Viewpoint, January 23) that fiscal policy is in fashion again. He goes on to hope that we will not go back, also, to the (as he sees it) benighted practice of varying fiscal policy according to the needs of the situation (providing stimulus in a slump, and restraint in a boom). As a survivor from an age when that was normal, may I comment on each of these points?

First, I am not sure that – even when presented as such – fiscal policy was dedicated to long-term aims. Whatever the theory, an evaluation of fiscal intervention suggests that the impact of policy varied a lot year to year. I doubt whether – in Samuel Brittan's phrase – the economy was, in fact, then flying on fiscal autopilot. Perhaps it would be more true to say that the authorities did not think that the short-term impact of fiscal policy was important and did not pay attention to it, and made economic decisions on this basis without being aware they were doing so.

The experience of these years was not a complete success. In the three years before 1988, a powerful boom built up. Output grew too fast (3.5 per cent, then 4 per cent, then in 1987 nearly 5 per cent); stock exchange prices rose 70 per cent and the current balance slid into worsening deficit. Fiscal policy only became contractionary in 1988, but that was late in the day and late clues can be painful as the depth of this recession shows.

One reason why "fine tuning" went out of fashion was the view that it could make fluctuations worse, because action was taken too late. That view was probably correct. (A book I wrote in 1964 came to that conclusion – a conclusion which has been generally accepted.) But in the last decade when, to use Samuel Brittan's phrase, we were in theory on "auto-pilot", we did not seem to do much better. The lesson perhaps is not that we should lash the steering wheel in one position and not use it, but that we should learn to drive properly.

Applying that lesson to the present position would mean that the provisions of the coming budget should depend on how bad the prospects are. If the government continues to expect that the economy will quickly recover on its own, it can surely make no case for a soft budget. Only if no strong recovery is expected in 1993 – as, I am afraid, seems possible – could a good case be made.

What seems to me highly desirable in any case is that the government should not ignore the short-term impact of what it does, but should rather describe and defend it (the Treasury's forecasting machine could easily produce estimates). Abandonment of this discipline during the last decade has surely been retrograde. In fiscal policy, governments have in their hands a somewhat powerful weapon, and it is right that they should say each year what they are going to do with it. Mistaken forecasts and mistaken judgments would still be made; but openness is some protection.

J C R Dow,
Reform Club, London SW1

PERSONAL VIEW

The four commandments of industrial progress

By Douglas Fraser

The performance of British industry when compared with its overseas competitors improved significantly during the 1980s, but is still well below that of the best, and is falling behind again. Against this background it is relevant to ask how public-sector bodies such as the National Economic Development Office (Nedo) can make the most effective contribution to improving the performance of Britain's industry.

The process of change and improvement in individual companies can be outlined in the following terms. First, complacency has to be destroyed, perhaps by imminent bankruptcy or the loss of a big contract. Second, there needs to be a leader with a clear vision of what can and should be achieved. Third, there needs to be an understanding of that vision and commitment to it throughout the organisation. Fourth, the organisation requires the wherewithal to bring about the changes envisaged, including a climate of economic stability. Exactly the same process applies at the level of an industry, or indeed of a nation. It may not be generally appreciated how far the UK has gone down this road, nor how far it has yet to go.

In recent years, the principal shock to national complacency was the 1980-81 recession coupled with high exchange rates and an environment in which industry could not look to government as a saviour. That recession hurt the worthy as well as the unworthy. But the bruises of 1980-81 have now faded and the current recession is preventing industry from focusing on the long-term changes that are needed to improve competitiveness still further.

As a result, there is a continuing need for uncompromising analysis of the performance of different industries to enable companies to measure themselves against the best international standards.

Over the past four years, Nedo has published reports which pull no punches. Other organisations such as the National Institute of Economic and Social Affairs have also published detailed performance comparisons which challenge companies in the UK. These analyses help with the second stage of managing change – that of identifying areas for improvement.

One of the great changes in the UK since the 1960s and 1970s is the extent to which the Trades Union Congress and the Confederation of British Industry no longer seek to negotiate on behalf of all employees and all employers. While they are effective at consolidating and representing the views of their members, there is no longer a feeling that they can deliver particular actions such as imposing ceilings on pay rises. This belief in the executive powers of institutions was corporatism; it was wrong-headed at the time and it is now dead.

Those who speak of corporatism today, whether in derision or nostalgia, are simply not aware of the profound changes of understanding and attitude that have taken place. Change in companies can only be made by those who work in them, or by those who are agents of their owners. However, in deciding what to do, managers need access to ideas and a great deal of information so they can select what is appropriate to their situation. There is no monopoly in the provision of ideas. Consultants, industry bodies, research establishments, universities, the government and Nedo can and should make a contribution.

This is the kind of joint effort that Bill Jordan, chairman of the NEDC Engineering Sector Group and president of the Amalgamated Engineering Union, and Ian Gibson, chairman of the NEDC Engineering Skills Working Party and chief executive of Nissan (UK), described in a recent presentation to the National Economic Development Council when they spoke of their committees' codifying and marketing best practice in the engineering industry.

The involvement of a top manager and a top trade unionist in such a programme is an illustration of the third stage of improving competitive advantage – gaining understanding of, and commitment to, change throughout an organisation. Ideas for change, no matter how good, are ineffectual if they are not understood, supported and adhered to by those who have to implement them at all levels.

The National Economic Development Council's Sector Groups and Working Parties involve about 500 senior industrialists and trade unionists, 80 of whom are chairmen or chief executives in their organisations. Their involvement both increases the credibility of any recommendations and helps to ensure their implementation. Government is also a part of the tripartite process with trade unions and employers. Proposals which demand changes in government behaviour which are not consistent with the values of that government are as useless as similar proposals addressed to trade unions or to managers.

The fourth stage of managing change is providing the resources to implement that change. At the level of an industry this generally means skilled people and finance for investment. In the UK, significant progress has been achieved in industrial training, but the backlog of years of under-training is a challenge still to be met. Industrial profitability, although improved, is still not at the levels required for the UK to match its international competitors.

Among the resources that industry needs is the economic stability which allows managers to plan for the future with confidence. Discussions at the National Economic Development Council have helped to build an understanding of the importance of these factors.

Over the last 10 years UK industry has made progress on all four requirements for change. However, a successful transition is not one-off but a continuous process. The challenge for the UK and its institutions is to make continuous progress under all headings. The National Economic Development Council's Sector Groups and Working Parties have sought to become one of the principal agencies that drive this process.

The author is industrial director for the National Economic Development Office.

Edward Mortimer

Failing the bread test

Islamic or not, no regime can solve Algeria's problems without a measure of popular support

FOREIGN AFFAIRS

For the first three weeks of this year I was an FT reader, not writer. Naturally I watched this space with keen interest, especially last week when, on consecutive days, it carried two trenchant pieces on closely-related themes. Robert Mauthner took western governments to task for condoning the coup in Algiers, and thereby failing to live up to their democratic principles. Martin Wolf argued that democracy is only a particular instance of a more general good – freedom of choice, and that democracy was incompatible with the views of "fundamentalists" – a reference to the Islamic Salvation Front (FIS), the putative winner in Algeria's cancelled elections.

I found this particularly interesting to read in the midst of a "workshop" on religious revivalism and contemporary politics. That probably sounds like some solemn gathering sponsored by the Greater London Council in the heyday of Mr Ken Livingstone. But it wasn't like that at all. It was a highly enjoyable week-long seminar, organised by a remarkable body called the 21st Century Trust, which holds such events three or four times a year, always dealing with some Great Problem of Our Time. What makes the formula unusual is that the 20 or so participants ("fellows"), drawn from as wide a spread of countries as possible, are all under 40, and that they have to live together under the same roof for eight days and nights. The Trust also recruits two "senior fellows" to guide them through the conceptual minefields of their topic (that is where I came in), and invites "visiting speakers" to brief them on particular aspects.

One of these visitors to our workshop was Hisham El Essawi, the Harley Street dentist who gained national fame by a valiant, if in the end unsuccessful, attempt to reconcile Salman Rushdie with his Moslem critics. Perhaps predictably, he anticipated Robert Mauthner's argument, suggesting that "while the west calls upon Moslem countries to be democratic" it also "sees its interests threatened by democratic reform in the Moslem world as it will undoubtedly bring about more and more Moslem rule". Remarking on the absence of "voices of indignation at the cancelling of the democratic process" in Algeria, he accused "some writers" of latching on to "a statement made by a young man of no authority in the Algerian Islamic Salvation Front, in which he said words to the effect that democracy is not compatible with Islam", and blowing it up "out of all proportions".

Yet earlier in his talk he had also provided some ammunition for the other side of the case. "With regard to Algeria," he said, "one wonders how much of a popular movement the Islamic Salvation Front is. They are no doubt well organised and well financed by the Iranians who dearly love to export their revolution, but with the support of only three out of 14m potential voters one cannot be certain that it commands the support of the majority". And he begged us to "give up your definition of the fanatic as the fundamentalist or the one who takes Islam literally, for he is not. It is the moderate who is the fundamentalist not the fanatic". Going even further, he claimed that "the concept of democracy is enshrined in Islamic teachings".

Mr Hisham El Essawi claims that it is not the fanatic who takes Islam literally: 'It is the moderate who is the fundamentalist, not the fanatic'

Well, I suppose it is not for me, or for any of my non-Moslem colleagues, to say whether Mr Essawi is a better "fundamentalist" than the fanatics, or whether Islam is more correctly interpreted as enshrining democracy than as incompatible with it. Nor could I deny that western reluctance to condemn the Algerian coup is in part a matter of self-interest, prompted by fear that a FIS government would provoke a mass exodus of westernised Algerians seeking asylum and employment in Europe.

Nor is it easy for any observer to say with confidence who has authority in the FIS and who does not, especially since the government tends to arrest its leaders almost as fast as they are appointed. But certainly more than one of those leaders, and notably Ali ben Hadj, one of the original two arrested last June, are on record as saying that an Islamic state cannot tolerate a multi-party system. The idea that no more free elections would be held after the one that brought the FIS to power is no mere paranoid fantasy of western journalists or Algerian officers.

The dilemma, for sincere democrats, is not a new one. As Martin Wolf pointed out, Hitler came to power through a democratic process. So, more or less, did the communists in Czechoslovakia. Partly for those reasons, the Communist party was outlawed in West Germany for the first two decades of the Federal Republic – and is now illegal in Russia. Democracy works best when there is a consensus on its basic principles among parties representing between them a broad majority of the electorate. When that exists, the state can afford to give equal treatment to anti-democratic parties.

In the absence of such a consensus, can rules restricting participation to parties which accept the principle of democracy serve as a substitute? Or will those rules themselves undermine the democratic process, by obliging anti-democratic parties to dissemble their true aims, and so making it possible for any party to question the sincerity of its opponents' commitment to democracy? Can fundamental rights and freedoms be entrenched by constitutional safeguards putting them beyond the reach of the elected government? On paper they can, but what if the elected government tears up the paper, asserting that its own popular mandate is better, or clearer, or simply more up-to-date, than that of the body which invented the safeguards?

That last question is especially relevant to Algeria, where any rules set by the incumbent regime were clearly tainted, in the eyes of many of the people, by the fact that that regime itself lacked any democratic legitimacy. It is a vicious circle. Some countries have found a way out, after revolutions or *coups d'état*, by forming a provisional all-party government whose members agreed on a constitution, and sometimes got it ratified by referendum, before proceeding to hold elections under it. But would the FIS accept such a procedure? And if it did, would it be bound by the results in practice?

What sincere democrats would hope, of course, is that over time either the FIS itself or its supporters could be convinced of the virtues of democracy, and the rightness of Mr Essawi's version of Islam, so that either the FIS would accept democratic rules or its supporters would desert it. Presumably President Chadli Bendjedid hoped to achieve this by a period of cohabitation between himself as head of state and a FIS or FIS-led government, while the army was not prepared to take that risk and therefore forced him to resign.

Perhaps the army was wrong, but as a non-Algerian I do not feel confident enough to say so. What does seem clear, on the other hand, is that the arguments which convinced Mr Chadli he could not solve the country's problems without the help of a freely-elected government remain valid. What led to the downfall of the former ruling party, the Front de Libération National, was the same combination of economic, social and moral crisis that led to the downfall of communism in Russia and eastern Europe. In Mr Essawi's words, it "failed the bread test".

By cancelling the elections the new rulers have at best bought time, and probably not much time. Let's hope they have a clear idea of how to use it.

FINANCIAL TIMES
Wednesday January 29 1992

Russian oil and gas contract awarded to US-Japanese group

By Leyla Boulton in Moscow

A US-Japanese consortium has won a much-contested tender to evaluate oil and gas reserves off Russia's far-eastern island of Sakhalin.

Moscow says the study will lead to an exploration and development project worth $5bn.

Marathon Oil and McDermott International of the US and Japan's Mitsui and Co defeated four other teams, one of which included Exxon.

Details have yet to be announced, but the deal appears to be the most ambitious of its kind to date.

The Russian government hopes to conclude several more agreements with western oil companies in a bid to revive flagging domestic production.

The deal, due to be concluded on March 31, is for a feasibility study into the development of reserves estimated at 730m barrels of oil and more than 400bn cubic metres of gas. Such resources are of immediate interest to Japan.

A Mitsui official said the consortium had made "small" changes to its original proposals after Russia set new conditions, including demands related to the needs of local people. The composition of the committee responsible for taking the decision was changed in midstream, he said.

A Russian industry expert said that local authorities in Sakhalin had pressed for the tender to be restarted from scratch, but that the choice of the US-Japanese consortium signified a victory for central Russian authorities in Moscow.

Although the agreement is formally for a feasibility study, the oil companies are likely already to have reached an understanding with Russian authorities on profit-sharing.

Moscow is also due soon to produce legislation on mineral rights to clarify the position of foreign investors.

The feasibility study is expected to take about 18 months. Providing the facilities and infrastructure would require a further three to five years, with production likely to begin in the late 1990s.

Russia's Ministry for Ecology and Natural Resources said: "Given the extremely harsh conditions of weather and pack ice ... this will be one of the largest and most complex hydrocarbon developments ever attempted."

Previous western investment in Russian oilfields has been limited to joint ventures, most of them in western Siberia, and sales of oil-drilling equipment.

● Russia has cut off all oil supplies to Lithuania, according to Mr Leonas Asmantas, Lithuania's energy minister, Reuter reports from London.

Mr Asmantas told a London conference on the Russian oil industry that the supply to the Mazheikai refinery, about 130,000 barrels a day, had stopped.

Oil output set to fall, Page 22

Steel group chief calls for wages compromise

By Christopher Parkes in Düsseldorf

THE HEAD of Germany's Thyssen group yesterday appealed for compromise in deadlocked steel industry pay negotiations. A strike was "unimaginable" in the current business situation, Mr Heinz Kriwet told journalists.

Forecasting a further fall in group profits this year, and revealing a fresh slump in the core steel business during the first quarter's trading, he said he could "imagine no limits to the possibilities" for a deal to be struck. These could include more talks, or even mediation by "an independent person".

Mr Kriwet, who said recently he would rather tolerate a strike than pay more than 6 per cent, was responding to internal company reports and unofficial union estimates that a ballot was swinging in favour of strike action. Thyssen, Germany's steelmaker, employs about a third of the industry's 135,000-strong workforce.

The IG Metall union immediately rejected suggestions of mediation, and said it would be prepared to talk only if the employers made a new offer.

Mr Kriwet had stressed that any further talks or mediation should be on the basis of the employers' offer and the union claim on the table when talks collapsed last week. "They are not so far apart that agreement is no longer possible," he said.

The two sides' calculations differ, but both agree that there is at present only one percentage point or less between offer and demand. Employers and government fear that settling above 6 per cent in the steel industry will lead to a flood of more expensive deals in other sectors.

Mr Kriwet said a further fall in profits in the current year was "highly likely". Orders at Thyssen Edelstahl, the special steels company, fell 22 per cent in value in the three months to the end of December. Turnover fell 11 per cent. The current round of 1,200 job cuts had not yet had any effect on results. At Thyssen Stahl, the mainstream metals maker, the volume of domestic orders fell 10 per cent.

Safety measures: the French special security forces (RAID) are already in position to protect many of the world's sporting elite when they take part in the opening ceremony of the 1992 Winter Olympics which will begin in Albertville on February 8th

Free trade pacts criticised

By Stephen Fidler, Latin America Editor, in London

A REPORT published by the World Bank sees risks in the rush of Latin American governments to sign free trade agreements with the US.

The study by two World Bank economists suggests the main danger for the region lies in the separate negotiation by Latin American governments of free trade agreements with the US. This could lead to US goods supplanting Latin American goods in trade within the region.

It also says that free trade agreements (FTAs) will yield little in increased exports for most Latin American countries. Latin American exports will rise by 7-8 per cent overall, according to the study, but 90 per cent of the increase will be accounted for by Mexico and Brazil. The benefits would be lessened further by success of the current multilateral trade negotiations.

The study, by Mr Refik Erzan and Mr Alexander Yeats, has not yet received wide distribution. It focuses only on the impact on the exports of 11 Latin American countries signing free trade agreements with the US.

The US has already signed 16 so-called "framework agreements" with Latin American countries, the first step in the process towards an FTA. Negotiations with Mexico, which signed a framework agreement in 1987, are farthest advanced. Eighteen months ago, US president George Bush raised the prospect of a hemispheric free trade zone from "Alaska to Tierra del Fuego".

The study, Free Trade Agreements with the United States: What's In It for Latin America?, suggests that most Latin American governments should assign a priority to trade accords among themselves, rather than with the US. A customs union – where there is a common external tariff such as in the EC – may be preferable to FTAs, where no such common tariff is negotiated.

It concludes that, except for agreements with Mexico and Brazil, the US stands to gain more from an FTA than its partner.

'Little benefit', Page 3

Gloomy backdrop to UK election predicted

By Peter Marsh, Economics Staff, in London

BRITAIN'S general election campaign will be fought against the background of deep economic gloom, according to a report released yesterday by the Confederation of British Industry.

The CBI's latest industrial trends survey recorded a big fall in business confidence over the past three months, and said manufacturing output was declining at a higher rate than that shown up in official government figures.

While the study said inflationary pressures in manufacturing were at their lowest levels for more than 30 years, it said job losses in the sector were increasing. It predicted that by the middle of this year factory investment will decline by 32 per cent, compared with the period in late 1989 before the start of the recession.

This bleak assessment for manufacturing, which accounts for just over a fifth of the economy, supports indications that even a mild recovery is unlikely to be visible over the next few months.

It will increase pressure on Mr Norman Lamont, the UK chancellor, to produce a package to stimulate the economy in his second Budget on March 10. He may also want to consider a cut in base rates from their current 10.5 per cent.

The findings sparked angry exchanges in the House of Commons at prime minister's question time. Mr John Major, the PM, insisted that the recovery might already have started, but Mr Paddy Ashdown, leader of the Liberal Democrats, an opposition party, said Mr Major was "talking up false economic dawns".

The survey has tracked the economy for 33 years, and is closely followed by the UK Treasury and private-sector economists. It found that business optimism has dipped sharply since the autumn, partly because the recovery promised by the government for the second half of 1991 failed to materialise. Another factor was the slowdown in other economies such as Germany and the US.

The CBI said that factory output was continuing to fall, though at a slower rate than in the early part of last year. It said output in the third quarter of 1991 was down 10.6 per cent.

This is considerably more gloomy than the equivalent figures from the government's Central Statistical Office, which show a 6.7 per cent decline over this period. The CBI projects a further fall in manufacturing output in the first quarter of 1992, which would take the decline since 1990 to 13.2 per cent. This would be comparable with the 15.5 per cent reduction during the 1979-80 recession.

Countering the CBI's statistics, the CSO said its figures gave a better picture of trends in manufacturing. They were based on a broader sample of companies, and used quantitative measures to assess output.

Confidence falls, Page 8
Editorial Comment, Page 12
Personal View, Page 13

THE LEX COLUMN

The CBI piles on the agony

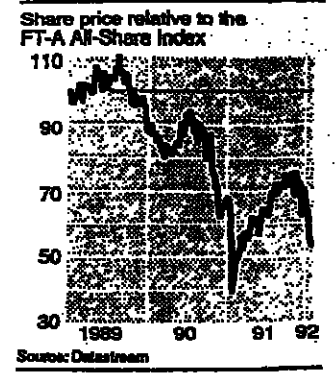
It begins to look as if only optimists believe in a double-dip recession in the UK. The term, after all, implies some attempt at recovery which subsequently falters. There is not much sign even of that in yesterday's Confederation of British Industry survey. The overall picture is one of continuing decline, if at a slower level than a year ago. Particularly worrying is the way in which many of the forward-looking indicators – expectations for stocks, capital spending, export orders and output – have deteriorated since the last survey in October. The only crumb of comfort is the small majority of respondents still expecting an increase in domestic orders.

But the climate of electoral and exchange rate uncertainty in early January, when the poll was taken, means the results are more than usually likely to reflect short-term mood rather than medium-term trend. This is particularly true of the basic measure of business confidence, normally a reliable indicator of economic activity six to nine months out.

Taken literally, yesterday's result suggests output could still be falling at the end of the third quarter. But if that were in prospect, the stock market ought now to be in full retreat. Instead, its slide in the last four months of 1991 seems to have discounted merely an extension of the downturn into this year's first half. Its modest rally since seems to be signalling a weak second half recovery. It may be painting a more accurate picture than the CBI.

FT-SE Index: 2,552.0 (+12.1)

BET



Source: Datastream

Volvo/Procordia

Aside from Volvo chairman Pehr Gyllenhammer and Procordia chief executive Sören Gyll, it is hard to find anyone with a good word to say about their ambitious weekend merger proposal. Yesterday's rejection of the deal by Sweden's privatisation commission – on grounds both of price and industrial logic – will have thus come as little surprise to investors.

Though the odds are against it, the chances of a successful renegotiation cannot be ruled out. The government has left the door open, and Mr Gyllenhammer is a man not easily denied. Selling Volvo's stake in Procordia – an alternative solution to the company's cash flow problems – would represent an embarrassing climbdown for him in the light of the much grander vision he has just outlined. Admittedly, the state would hardly relish swapping its shares in Procordia for a less marketable and less highly-rated stake in a conglomerate Volvo. But the agreement over Procordia which the politicians cite works both ways. To pursue the privatisation route, they will surely need the consent of the company's other large shareholder.

The shares of both companies will no doubt continue to reflect the uncertainty. A prolonged vacuum might encourage further profit-taking in Volvo, whose price has been strong of late on hopes that the cost-cutting programme will soon show through to the bottom line.

UK accounting

There is something impressive about the bluntness with which the new accounting standards regime is going about its business. Companies which are found to have breached accounting standards will all be named whether or not they repent, as Williams and Ultramar have done. Judging by the 4 per cent fall in Williams's share price, the threat has teeth. There is no question of Williams having tried to disguise its treatment of exceptionals, which is made explicit on the face of the profit and loss account itself. But it seems to have come as news to the market that the treatment was in breach of the 1985 Companies Act.

It evidently came as news to Williams's auditors as well. Perhaps the review panel should go further and name the auditors in each case, saying whether the accounts were qualified for the breach in question (as they were in Ultramar's case). That might prove embarrassing in one further respect. Only three audit firms are represented on the review panel itself: two of them – Pannell Kerr Forster and Ernst & Young – were Williams's and Ultramar's auditors respectively.

The toughness of the new regime was confirmed in another case yesterday. Electron House, a distributor of electrical components, has sold a business which it had previously acquired, writing off goodwill in the process. The new rules say it has to measure the sale price against the original purchase price, thus producing a £1m loss for a company which makes only £1m pre-tax. This year it can treat the loss as extraordinary. Shortly, such a loss will have to be taken off earnings, which in Electron's case would mean no earnings at all.

BET

Yesterday's 10 per cent fall in BET shares, though less alarming than the collapse a year ago, must have given the group's managers an uncomfortable sense of *déjà vu*. Then it was worries that BET was about to join the ranks of failed 1980s conglomerates. Now the concern is about profit downgrades and the outlook for the final dividend. The heavy trading volume suggested large investors had decided not to take the risk.

Given that BET was already yielding more than 10 per cent, the reduced profit figures were indeed less relevant than the safety of the dividend. It seems curious that the market should be discounting a decision which will not be taken until June. By then, management will be in a position to survey a post-election economy. If recovery is anywhere in sight, a maintained pay-out, though uncovered, might perhaps be justified by the group's cash flow and financial position. But after yesterday's fall BET will have little to lose from a cut, so the market's expectation could prove self-fulfilling.

Hanson

Lord Hanson's remarks to shareholders yesterday showed a mixture of coyness and *naïveté* scarcely to be expected from a septuagenarian. It appears that whoever he has chosen as robust enough to succeed him is too delicate to be exposed to the public eye. It also appears that he is still perplexed by ICI's refusal to let him help with its business. Lonrho has shown what can happen to a company if the founder stays too long. One hopes that Hanson is not going the same way.

Bush address marred

Continued from Page 1

do not provide adequate coverage.

Congressional Republicans led by Mr Willis Gradison of Ohio objected strongly to the plans, arguing that the offer of specific, politically unpopular, proposals would play into the hands of the Democratic majority in the House and Senate.

Mr Bush, who has promised "long-term" solutions to the economy and disavowed "quick fixes", was expected in his speech to propose a variety of sweeteners for middle-income voters.

These are expected to include a personal tax exemption of up to $1,000 per child, a $5,000 tax credit for first-time home-buyers spread over two years, expanded individual retirement and savings accounts, and a health tax credit for the poor and middle class.

Mr Bush is also expected to propose cuts of up to $50bn in defence spending over the next five years, beyond those already contemplated. This would be matched by a call for a modification of the 1990 budget agreement with Congress which would allow defence savings to be spent on domestic programmes.

Other proposals include a call for the US and the nuclear-armed former Soviet republics to dismantle multi-warhead missiles.

Although the president was certain to press for a cut in the capital gains tax cut, Democrats signalled yesterday that the price of passage in Congress would probably be a tax on the wealthy – which the president opposes.

The State of the Union speech will offer Mr Bush a platform to speak to the Congress and the nation, but in the coming months the Democratic majorities in the House and Senate will determine how much of his proposals actually pass into law.

Volvo deal

Continued from Page 1

afternoon by the government's own recently appointed privatisation commission.

Mr Curt Nicolin, head of the commission, said that not only were there no "convincing synergy effects" in the proposed merger of the two companies, but the advantages that lay in the deal for Volvo had to be balanced by the clear disadvantages in the merger for Procordia.

The hostile attitude of Mr Nicolin and his commission colleagues has not come as a surprise. Although the recently appointed body lacks any veto powers, its strong advice is bound to carry influence with business opinion.

The Swedish stock market reacted negatively yesterday to the proposed deal. Volvo's unrestricted shares dropped by SKr8 on the Stockholm bourse to SKr390, the level they were at before the announcement of the proposed merger.

Japan goes through economic 'correction'

By Steven Butler in Tokyo

THE Japanese economy is going through a period of "correction", the government's economic planning agency says in an unusually cautious monthly report.

The agency says the economy is undergoing adjustment for the first time in 15 years, although the report paints a picture of underlying strength.

Consumer spending in December remained firm and capital spending, while not expanding, continued at high levels. There were signs that the decline in home construction had bottomed out.

The correction referred to in the report was a shift of the economy to non-inflationary stable growth. Use of the term amounts to recognition that some sectors of the economy are strained.

The report also cites a number of government measures to support the economy, including the recent cut in the official discount rate by half a point to 4.5 per cent, and budget proposals to boost public infrastructure investment.

Meanwhile, the Ministry of International Trade and Industry yesterday said industrial production in December was 1.4 per cent lower than in December 1990.

This was the third consecutive month to register a year-on-year decline. December's output was also 0.9 per cent lower than November's.

Perhaps most worrying is the steady rise in inventories, which could foreshadow further cuts in production as manufacturers try to balance output with demand.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	14	57
Algiers	C	12	54
Amsterdam	Fg	0	32
Athens	F	10	50
Bahrain	R	11	52
Bangkok	C	31	88
Barcelona	S	12	54
Beirut	S	14	57
Belfast	C	3	37
Belgrade	Sn	-4	25
Berlin	C	0	32
Biarritz	S	6	43
Bombay	S	31	88
Bordeaux	S	4	39
Boulogne	C	0	32
Brussels	C	-1	30
Budapest	F	-1	30
Buenos Aires	C	30	86
Cairo	S	19	66
Cape Town	S	26	79
Caracas	C	27	81
Casablanca	S	16	61
Chicago	C	-3	27
Cologne	F	2	36
Copenhagen	C	4	39
Corfu	S	12	54
Dallas	Dr	9	48
Dublin	C	5	41
Dubrovnik	–	–	–
Edinburgh	C	3	37
Faro	S	13	55
Florence	S	9	48
Frankfurt	C	1	34
Geneva	C	0	32
Gibraltar	C	16	61
Glasgow	Fg	2	36
Helsinki	C	7	45
Hong Kong	S	20	68
Innsbruck	C	-4	25
Inverness	F	9	48
Islamabad	R	12	54
Istanbul	R	3	37
Jakarta	R	30	86
Jersey	C	3	37
Johannesburg	S	28	82
Lima	F	28	82
Lisbon	S	9	48
London	F	7	45
Los Angeles	S	10	50
Luxembourg	C	0	32
Madeira	C	16	61
Madrid	F	5	41
Majorca	F	14	57
Malaga	R	7	45
Malta	R	12	54
Manchester	Fg	0	32
Manila	F	30	86
Melbourne	C	17	63
Mexico City	C	19	66
Miami	F	22	72
Milan	Fg	3	37
Montreal	S	-17	1
Moscow	C	0	32
Munich	C	-2	28
Nairobi	F	25	77
Naples	S	10	50
Nassau	C	25	77
New Delhi	C	21	70
New York	S	-1	30
Nice	S	14	57
Nicosia	S	14	57
Oporto	F	8	46
Oslo	Fg	0	32
Paris	F	3	37
Peking	S	10	50
Prague	F	1	34
Reykjavik	R	3	37
Rhodes	F	14	57
Rio de Janeiro	F	36	97
Rome	S	11	52
Salzburg	C	-2	28
San Francisco	R	9	48
Seoul	F	4	39
Singapore	F	29	84
Stockholm	F	5	41
Strasbourg	S	3	37
Sydney	S	23	73
Taipei	F	22	72
Tangier	S	15	59
Tel Aviv	S	12	54
Tenerife	F	18	64
Tokyo	S	12	54
Toronto	C	-4	25
Tunis	S	14	57
Valencia	F	10	50
Venice	S	5	41
Vienna	S	-1	30
Warsaw	C	0	32
Washington	C	1	34
Zurich	C	-2	28

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
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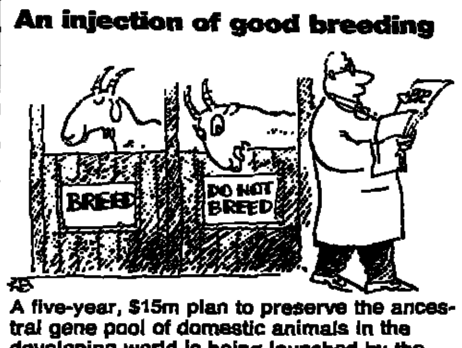
INSIDE

BET share price falls after downgrade

BET, the UK business services conglomerate, saw its shares tumble 13 per cent to 153p in heavy trading before closing to 159p in the face of downgradings by London analysts. A further concern on the market was the possibility that BET would cut its dividend. Page 20
Lex, Page 14

An injection of good breeding



A five-year, $15m plan to preserve the ancestral gene pool of domestic animals in the developing world is being launched by the Food and Agriculture Organisation of the United Nations. It will use DNA technology to determine genetic characteristics and improve breeds. Page 22

Called to account

The directors of Ultramar and Williams Holdings were recipients of the first publicly administered slaps from the Financial Reporting Review Panel, the policing arm of the Financial Reporting Council. Page 21
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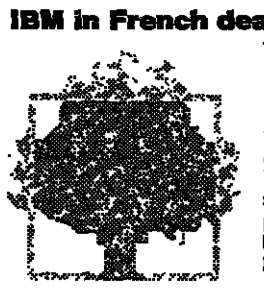
Public reprimand, Page 8

IBM in French deal



THE French government has chosen IBM for a wide-ranging technology, research and commercial alliance with Bull, the loss-making state-owned computer group.
Page 16
New partner, Page 1

Precedent but no profits

When Daiwa Investment Trust and Management launched its New Stage stock investment trust fund four years ago, the company and the fund's investors had few doubts that the irrepressible Tokyo stock market would provide profits for all. But instead of generating profits, the New Stage has created an unwelcome precedent. Page 19

Milk goes co-operative

After two years of debate the UK Milk Marketing Board has this week taken the first step along the road to becoming a voluntary co-operative, ending nearly 60 years of a statutory monopoly on milk supplies. Page 22

Portuguese upturn elusive

The Portuguese stock market fell to its lowest level since March 1987 this week, suggesting that an upturn remains some way off despite reforms to make the market more attractive. Back Page

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HSC	15	Warner-Lambert	17
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Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
AG Ind & Verk	700	+	25	Bouygues	592	+	22
Heidelb Zem	941	+	11	Club Med	491	+	16
Lahmeyer	785	+	10	GTM-Entrepose	379	+	16
Falls				Omnium	215	+	15
DLW	460	−	10	Union Immob Fr	485	+	17.9
Douglas Hldg	621	−	7	**Falls**			
Linotype-Hell	346	−	5	Sommer-Allibert	1370	−	83
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Lifetime	37¼	+	4¼	Godo Shusei	2090	+	210
Procter Gamble	103	+	4⅞	Hachijuni Bank	1320	+	110
Digital Equip	52	+	1	Hokuriku Elec	640	+	50
Falls				Ono Pharmaceut	5340	+	400
Compaq	32¾	−	2¼	**Falls**			
Cabre Corp	15¾	−	2¾	Crown	1300	−	170
Warner-Lambert	72⅛	−	1⅝	Toriaby Indl	870	−	74
LONDON (Pence)							
Rises				BET	159	−	17
Assoc.Nursing	148	+	42	Body Shop	348	−	14
Bullough	150	+	10	Brandon Hire	34	−	4
Fisons	369	+	20	Chesterfield Prop.	345	−	43
Freeman Group	83	+	8	Jacobs (J.I.)	28	−	4
Frost Group	333	+	19	Shoprite	329	−	14
Northern Foods	578	+	20	Utd. Newspapers	365	−	13
Pickwick	240	+	67				
Wessex Water	395	+	14				
Whitegate Leis.	12	+	3				
Falls							

Fiat to suffer fresh profits setback

By Haig Simonian in Milan

FIAT, Italy's largest private sector company, is set to suffer another big setback in net profits, possibly by as much as one-third to around L1,100bn ($907m) for 1991.

The figures, derived from a letter sent to group shareholders yesterday, suggest that Fiat will be forced to cut its dividend when the payout is announced in May.

For 1990 the company stirred a big controversy when it maintained its dividend at L370 a share for ordinary and preference shares and L400 for savings stock, despite a marked earnings fall.

The latest drop in profits, which is broadly in line with expectations, reflects sharply contracting demand for motor vehicles, Fiat's core business. Earnings have also been squeezed by tighter profit margins and heavy investments, which have not been compensated by better performance from non-industrial activities such as financial services.

Group sales rose 1.1 per cent to L57,828bn last year, while turnover for Fiat's core industrial activities dropped to L49,689bn from L49,894bn.

Last year's figures include L2,176bn in sales for Ford New Holland and CEAc, the newly-acquired farm equipment and auto components businesses.

However, L1,710bn in sales of Telettra, sold to Alcatel-Althsom, are excluded.

The company stressed that its Fiat Auto car business remained in profit despite a continuing fall in demand. In 1991, the group's share of the Italian car market, which it once dominated, shrank further to 46.7 per cent from 52.8 per cent in 1990.

Difficulties on the cars side and the consolidation of loss-making acquisitions such as Ford New Holland and the Enasa trucks group in Spain meant group operating profits plunged to about L686bn last year.

Around L1,000bn of Fiat's 1991 pre-tax profits – estimated at L1,600bn – were derived from extraordinary items. Selling Telettra made about L700bn, while a further L200bn came from other disposals.

As expected, Fiat's heavy investment programme, which envisages spending of L47,000bn over the next five years, took its toll on the company's balance sheet. Fiat's net financial position shifted to a deficit of L385bn at end-1991 against a positive figure of L570bn in December 1990.

Mr Giovanni Agnelli, Fiat's chairman, stressed the group's continuing high liquidity and its long-term commitment to renew its model range and reduce costs.

Robert Peston assesses the impact on Crédit Suisse of its credit downgrading by Moody's

Stripped of the good banking badge

Swiss bankers' worst fears were realised yesterday when Moody's, the US credit rating agency, downgraded Crédit Suisse from its precious Aaa credit rating and said the Aaa rating of Swiss Bank Corporation was also being reviewed for a possible downgrade.

Their chagrin will appear petulant to bankers elsewhere, many of whom have been battling to preserve their capital in the face of colossal losses.

In stark contrast, the three biggest Swiss banks, Union Bank of Switzerland, Swiss Bank Corporation and Crédit Suisse, a subsidiary of CS Holding, are exceptionally strong and making record profits.

But Swiss bankers are trained to believe that there is a higher goal than making profits. Their priority has been to retain "triple A" credit ratings, the badge of good banking. So it is difficult to exaggerate the shock caused by Moody's announcement.

Mr Robert Jeker, Crédit Suisse president, put on a brave face: "We would have preferred to keep the rating," he said. But he took comfort from Moody's reasons for the downgrade, which referred to the "potential" for a deterioration in the quality of its loans and other assets rather than an actual deterioration.

Mr John Kriz, a Moody's vice-president who was involved in evaluating Crédit Suisse's rating, also cited "the likelihood of a more adverse competitive environment in Switzerland and abroad".

Mr Jeker argued that the downgrade was because of factors beyond the control of the bank's management. But in private interviews, senior executives do not hide their annoyance with Moody's: "It is a question of prestige," said one.

When an agency gives a triple A rating to a bank it is saying that funds deposited with that bank carry almost no risk for the lenders. Until yesterday, the trio of big Swiss banks were among only five private sector banks which had been given the accolade of triple A for all forms of debt by all three of the world's leading agencies, Moody's and Standard & Poor's, based in the US, and IBCA in London.

The other members of this bankers' club are Rabobank of the Netherlands and Deutsche Bank of Germany Morgan Guaranty of the US also has this distinction, though it is denied to its holding company, JP Morgan.

Over the past couple of months, Crédit Suisse's chairman, Mr Rainer Gut, and Mr Jeker have tried to reassure staff that a downgrading will make little difference to the business. Mr Jeker insists that the downgrade will not affect Crédit Suisse's profitability.

However, he is contradicting a statement made in last year's annual report: "Thanks to our Aaa credit rating we were able to benefit from the shift in global business to European banks."

Crédit Suisse and its highly rated peers have been able to increase their share of better quality banking business and widen the margin between borrowing and lending rates because they are regarded as safe havens for deposits, compared with Japanese and US banks which have had their capital eroded.

In theory, a cut in Crédit Suisse's rating will lead to a reduction in profits from this traditional banking business but Mr Robin Munro-Davis, managing director of IBCA, says: "There are so few triple A banks in the world that I don't think it will make much difference when raising funds." However, financial analysts are convinced that Crédit Suisse made record profits in 1991 in part because of this "flight to quality".

Mr Munro-Davis said a downgrade would have been more understandable a year ago. The bank's profits after tax in 1990 were SFr549m ($384m) 30 per cent lower than the previous year. "There is no question that Crédit Suisse today is stronger than 12 months ago. That is blindingly obvious," Mr Munro-Davis said. IBCA and S&P stress they have no plans to downgrade the bank.

Moody's, however, is concerned that the quality of Crédit Suisse's assets may *deteriorate* "over the intermediate term", because of the "soft economies in Switzerland and elsewhere". It also highlights the weakness of the Swiss property market, which "could weaken Crédit Suisse's domestic property loan portfolio".

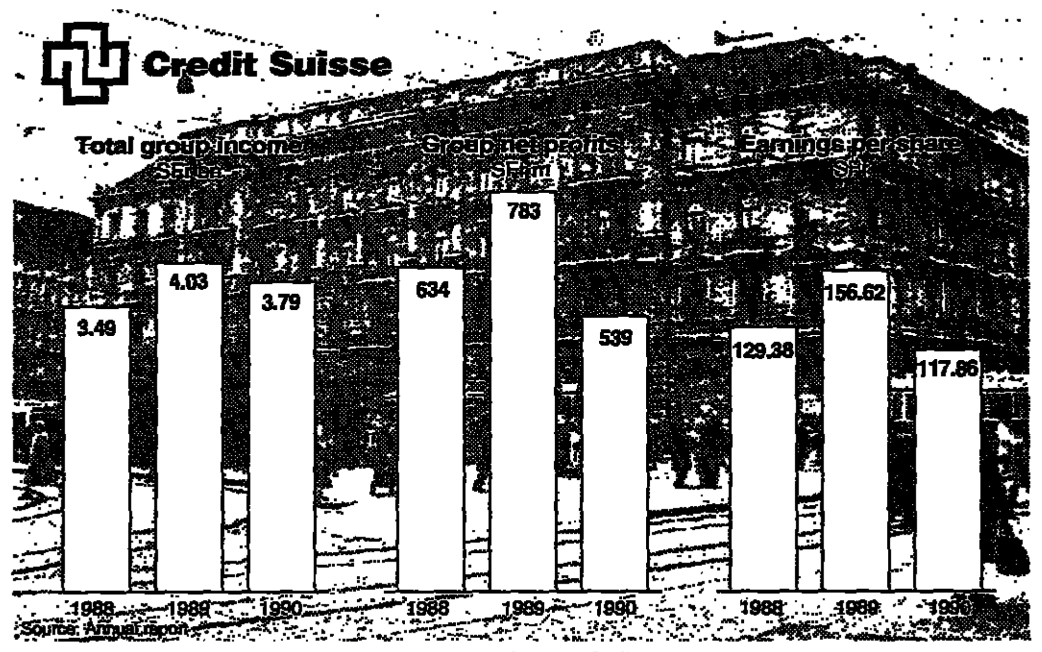
In response, Mr Jeker said that he did not expect the bank to suffer from significant property losses. Indeed, analysts point out that Crédit Suisse's residential and commercial loans are backed by collateral worth much more than the loans. There would have to be an astonishing crash in the property market for Crédit Suisse to be badly hurt, they say.

Its record of minimising losses on overseas lending is also impressive, especially in the US, where it has made about 15 per cent of all its loans. Its experience in the UK, where it has a similar exposure, is not so good: it made big loans to Brent Walker, the troubled leisure group, and to Polly Peck, the fruit and electronics company, which is in receivership.

Mr Jeker does not dispute Moody's contention that the Swiss banking market is likely to become more open to competition from foreign banks. Nor does he deny competition between Swiss banks is intensifying. But he is convinced that the net effect of these trends will be to reinforce the position of the big three Swiss banks at the expense of the many smaller banks.

However, Mr Munro-Davis said that it would be difficult to "prove" that Moody's had made a mistake, even though his firm takes a different view of Crédit Suisse: "It is almost impossible to prove that someone in the rating business is wrong."

MOODY'S, the rating agency, downgraded to Aa1 from Aaa the long-term deposit rating of Crédit Suisse and said it was reviewing the Aaa long-term deposit rating of Swiss Bank Corporation. Moody's cited the "soft" Swiss economy and a "potential" deterioration in asset quality. Crédit Suisse Financial Products, the subsidiary specialising in derivatives or sophisticated financial instruments, also lost its Aaa long-term deposit rating.



Sweetener maker to assault US market

By Ronald van de Krol in Amsterdam

HOLLAND Sweetener Company (HSC), Europe's only producer of aspartame, a low-calorie sweetener used mainly in soft drinks, plans to quadruple production capacity in preparation for an assault on the all-important US market, until now the sole preserve of NutraSweet of the US.

HSC, a joint venture between Dutch chemicals group DSM and Tosoh Corp of Japan, is to invest more than Fl 100m ($55m) in expanding the production capacity of its plant in Geleen, The Netherlands, from 500 tonnes to 2,000 tonnes a year by late 1993.

At the end of this year, NutraSweet, a subsidiary of Monsanto and the world's leading supplier of aspartame, faces the expiry of restrictive patents which have kept competitors out of its domestic market.

The US accounts for 80 per cent of the $1bn global market for aspartame, an "intense sweetener" which is 200 times sweeter than sugar.

Mr Winfried Vermijs, president of HSC, said the Dutch-Japanese joint venture expects to win between 10 per cent and 20 per cent of the US aspartame market within five years of the patents' expiry.

However, NutraSweet, together with Ajinomoto, its Japanese partner, is reported to be planning to build an aspartame plant in France, bringing greater competition to Europe, where HSC has managed to wrest a 30 per cent market share away from NutraSweet in the four years since the joint venture first began commercial production.

Mr Vermijs said the sharp rise in capacity would not lead to a surplus.

"The world market is growing at 10 per cent a year," he said, noting that growth in Europe has recently outstripped that of the US.

HSC was the driving force behind successful efforts to persuade the European Commission to introduce anti-dumping levies against NutraSweet and Ajinomoto in Europe in the early 1990s.

NutraSweet, Ajinomoto and HSC are the world's only significant aspartame producers.

Fierce competition has already driven three Italian companies, as well as three other manufacturers in Ireland, France and the US, out of the aspartame sector, Mr Vermijs said.

Lord Hanson surrenders option of bidding for ICI

By Roland Rudd in London

LORD HANSON yesterday relinquished his right to bid for ICI for the foreseeable future when he told his annual general meeting that Hanson had no plans to acquire the chemicals giant.

It was the first time since Hanson took its 2.8 per cent stake in ICI last May that its chairman, Lord Hanson, firmly shut the door on launching a bid for the chemicals group. He told Hanson shareholders: "We have never said we would bid for ICI – that was all media speculation and market rumour – and we have no plans to do so now."

The Takeover Panel on mergers and acquisitions said Lord Hanson's statement was "unambiguous" and prevented the conglomerate from making a bid for a "considerable period of time".

Only a "material change" in ICI's circumstances would give Hanson the right to try to buy the chemicals company. A panel spokesman added even if there were a big fall in ICI's annual profits – to be announced on February 27 – this would not constitute such a change.

According to Hanson's advisers, Lord Hanson ruled out a bid for ICI after receiving many written questions from shareholders concerning the group's investment in the chemicals group.

Lord Hanson told shareholders that he believed ICI had "lost a great opportunity" in refusing to talk with him. He added: "As ICI's second biggest shareholder we will continue to watch its progress with great interest and affection." ICI's shares fell just 2p to £12.67 on the news that Hanson would not bid.

In response to a question about who would succeed him as chairman, Lord Hanson could not resist blaming the media for speculation on the possible heir. "The media believe that some talented executive should be brought in for a huge fee ... We have the succession. We just don't plan to name it at this time."

He said that Lord White, head of Hanson Industries in the US, would not join the board because he was chairman of Hanson's American arm. "It would not be best served by being directed from Britain," he added.

Charges against Lord White, accused of assaulting his girlfriend Miss Victoria Tucker, the 29-year-old former model, on a skiing trip last year in Colorado, were dropped yesterday after she withdrew her allegation.

Lonrho to lose VAG (UK) control

By Kevin Done in London

LONRHO, the international trading group, is to lose control of its Volkswagen/Audi import and distribution operations in the UK from the end of 1993. The business accounts for more than a fifth of Lonrho's worldwide turnover.

It is understood that Volkswagen, the German carmaker, will take control of the business operated by VAG (United Kingdom), one of Lonrho's most important subsidiaries, when the present six-year vehicle supply contract between VW and Lonrho expires.

Lonrho, which has suffered a steep fall in its share price after disclosing a 24 per cent fall in pre-tax profits and a dividend cut last week, refused to comment yesterday.

Mr Paul Spicer, Lonrho joint deputy chairman, said: "I am saying absolutely nothing. It is a contractual relationship. It is confidential and private."

VW, the leading European carmaker, is keen to have control of distribution in all five European large volume markets. In recent years it has already added ownership of the Spanish and Italian operations to its control in Germany and France.

"The contents of the contracts with Lonrho are confidential," it said yesterday. "We are not authorised to disclose any information on this matter." VAG (UK) referred all questions to Lonrho.

Lonrho shareholders have not been informed explicitly about the future of the company's contract with Volkswagen.

The only reference was in the 1987 Lonrho annual report, which stated, "Since the year-end, an agreement has been concluded between VAG (UK) and Volkswagen AG to allow Volkswagen AG a greater interest in the distribution of Volkswagen AG group products in the United Kingdom." It is understood that the previous two-year rolling contract was replaced at that time by a six-year agreement running to the end of 1993. Since 1988 Volkswagen has appointed three non-executive members to the VAG (UK) board. Mr Spicer refused yesterday to reveal any financial details for the subsidiary.

Information filed by Lonrho at Companies House, however, reveals that VAG (UK) achieved turnover of £1.02bn ($1.84bn) in the 12 months to September 30, 1991. This is 21.1 per cent of Lonrho's total turnover.

Fougerolle offers FFr4.6bn for sector rival SAE

By Alice Rawsthorn in Paris

FOUGEROLLE, the French construction company, has mounted an offer for one of its chief competitors, Société Auxiliare d'Entreprises in a deal which values SAE at FFr4.6bn ($836m).

If the bid succeeds, it will create a major force in the French building industry – with an overall annual turnover of FFr40bn – to compete against France's construction groups such as Bouygues.

Fougerolle is offering an immediate payment of FFr1,100 for each SAE share, or FFr1,200 a share payable in one year's time. SAE's shares, which were suspended yesterday, closed on Monday at FFr920.

Fougerolle already owns 22.8 per cent of SAE and will have to pay up to FFr3.5bn to take control of all the remaining shares. The acquisition will be financed by an increase in the capital of Financière Fougerolle, its holding company, and by bank debt.

Paribas, the prominent French bank, has already agreed to sell its 5.2 per cent stake in SAE to Fougerolle. Paribas also owns 47 per cent of Financière Fougerolle.

Another of SAE's minority shareholders, Lyonnaise des Eaux-Dumez, the water and construction group, has undertaken to sell its 4.5 per cent holding to Fougerolle.

Fougerolle also yesterday predicted a 20 per cent increase in its consolidated net profits for 1991 to FFr400m, against FFr335m in 1990. It also anticipates a 6 per cent rise in consolidated sales to FFr12.5bn for the year.

● Bouygues, France's biggest construction group, forecast a 5 per cent increase in net profits from FFr626m in 1990 to FFr660m in 1991. This estimate does not include a provision related to Bouygues' work on the Channel tunnel.

Hagen nomination ends Nedlloyd war of nerves

By Ronald van de Krol in Amsterdam

MR TORSTEIN HAGEN, the London-based Norwegian investor who controls a 27 per cent stake in Nedlloyd, was yesterday nominated to the Dutch transport group's supervisory board, ending a year-long war of nerves between the company's management and its single biggest shareholder.

Nedlloyd said Mr Hagen had pledged that his two investment vehicles, Marine Investments and DNO, would be long-term investors in the Rotterdam-based company.

Mr Hagen also promised to act in the interests of all "stakeholders", to accept the company's current strategy and to support the work of the management board.

Marine Investments said in a statement from Luxembourg that "the two companies and Mr Hagen have, however, signalled areas in which they may want to see a change, but have accepted that this will be part of the normal process of the workings of a supervisory board".

Relations between Mr Hagen and Nedlloyd reached a low point at the annual shareholders' meeting in May, when he led a shareholder revolt that culminated in the voting-down of the company's 1990 accounts.

The move was aimed at winning three seats for Mr Hagen and his supporters on an expanded supervisory board. Mr Hagen later scaled down his demands to one seat.

Mr Hagen and Nedlloyd have clashed in the past over the pace of divesting businesses that do not belong to the group's two core sectors, ocean-going shipping and overland transport.

Carlton in £69m bid for Pickwick

By Jane Fuller in London

CARLTON Communications, the UK television services and production company which last autumn won the London weekday ITV franchise, is making a £69m ($122m) bid for Pickwick Group, the distributor of videos and recorded music.

The recommended offer of 100 Carlton shares for 232 Pickwick values the target's shares at 245p each, 42 per cent ahead of yesterday's opening price of 173p. The cash alternative is 220p.

Carlton already does some video distribution in the US and UK and duplicates videos through its Technicolor subsidiary. Pickwick will provide a European distribution network, particularly in the sell-through market in which videos are sold rather than hired.

BBC Enterprises and The Walt Disney Company are among the organisations with which it has distribution arrangements.

Mr Michael Green, Carlton's chairman, said he admired Pickwick's cautious approach to the video sector. "I like the children's and the sports market," he said.

The price that Carlton is paying looks quite high in terms of Pickwick's estimated 1991 earnings. Hoare Govett, its broker, has been forecasting a fall in annual pre-tax profit from £6.9m to £4.3m, after a mere £82,000 made in the first half and problems at a French subsidiary. This would make Carlton's cash bid 23 times earnings. With a recovery forecast to £7m this year, the multiple returns to between 13 and 14 times.

Carlton is also interested in the distribution network for the library of programmes that it intends to build up once it takes over the former Thames Television service.

The acquisition also takes it into a new area: audio tapes, which account for about 60 per cent of Pickwick's turnover.

Carlton's offer has been accepted by Pearson, publisher of the Financial Times, which owns a 20 per cent stake, and by directors and employees holding a further 5 per cent.

French computer industry thrown a lifeline

Alan Cane examines the result of six months hard bargaining between IBM and Bull

MRS Edith Cresson, the French prime minister, must be savouring her triumph. The agreements she was able to announce yesterday morning between leading French and US electronics companies suggest that six months of hard bargaining have paid off handsomely. The French electronics industry has a deal worth much more than the sum of its parts.

Groupe Bull, the computer manufacturer, which lost over $1bn (£562m) last year and which cannot hope to return to profitability until 1993, expects an injection of about $100m from International Business Machines, the world's largest computer manufacturer.

It also has access to IBM's most strategic technology, reduced instruction set computing (Risc), on which small and mid-range computers are expected to be based for the foreseeable future.

IBM will buy large numbers of portable and notebook computers from Zenith Data Systems, Bull's personal computer arm, which is struggling back to profitability.

One of the most important features of the agreement involves collaboration between Bull and IBM's Computer Design Centre, a collaboration with Apple Computer and the semiconductor company Motorola set up to design advanced personal computer chips and operating systems.

This part of the deal alone gives Bull a powerful stake in the future.

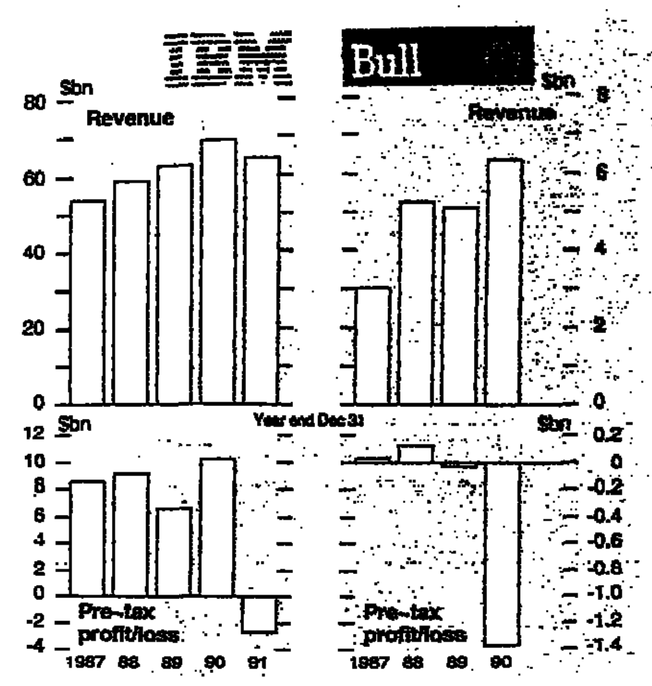
SGS Thompson, the semiconductor company in which the French and Italian governments each have a stake and which lost $96m last year with little hope of improvement this year, has a promise from IBM that the value of its annual purchases of silicon chips including the Inmos transputer from the semiconductor manufacturer will double to $100m. It will collaborate with IBM in semiconductor research.

Mrs Cresson and her government negotiators have, moreover, managed to persuade Hewlett Packard, the large US computers and instrumentation group which had been vying with IBM to conclude the technology deal with Bull, to continue talks with SGS Thomson although Hewlett Packard is not thought likely to consider taking an equity stake in the Franco-Italian concern.

Hewlett Packard made its disappointment over the Bull decision known yesterday. It said: "Bull has made the wrong decision. It is clear the French Finance Ministry took a decision on financial rather than technology grounds. It has passed over the opportunity for a long-term solution in favour of a quick fix."

IBM was desperate to get the Bull deal settled in its favour and was determined to deny victory to Hewlett-Packard. The drawn out negotiations were conducted personally by Mr Michael Armstrong, a former head of IBM Europe and now in charge of IBM's world trade.

Mr Armstrong said after the announcement yesterday that



bargaining with the French had been tough. "I'm very glad to be here," he added.

IBM's prize is two-fold: it will have access to to the lucrative French government market, something difficult to achieve in France without equity in a French company, and it will have enhanced its European credibility before the single market takes effect at the end of the year.

It will have new markets for its Risc technology products which command lower profit margins than conventional technology and are therefore very dependant on volume sales. IBM is expected to benefit from Bull's expertise in "symmetrical multiprocessing" an advanced computing technique which is likely to be increasingly important in the future.

For Bull, the deal has a powerful industrial logic.

It has been looking for a US partner to balance the 4.9 per cent stake held by NEC of Japan. The Japanese company, which supplies Bull with mainframe technology, broadly welcomes the tie-up between Bull and IBM.

Mr Takehiko Inoue, NEC associate vice-president said the company welcomed any strategic alliance that would help the business. NEC did not want to see its investment imperilled.

Risc technology, invented by IBM about a decade ago, is an important part of open systems, the worldwide move in the computer industry towards standard components.

While open systems make it simpler for customers to connect together computers from different manufacturers, they command intrinsically lower profit margins than proprietary designs and are a principal cause of the crisis in the world computer industry. IBM, with sales in excess of $60bn, lost money last year.

Bull failed to catch the first wave of Risc products and is now trailing. To develop Risc technology from scratch would cost many hundreds of millions of dollars.

The deal with IBM gives Bull immediate access to proven Risc technology and offers it a rapid way of catching up with the competition.

It remains to be seen how the alliance between Bull and IBM affects the future of the European computer industry.

Of the European-owned companies, only Olivetti of Italy has yet to find a strategic partner.

An agreement to merge with ICL of the UK foundered two years ago on management differences. It finally collapsed when the UK company was bought by Fujitsu of Japan.

However, it is a member of the so-called Ace consortium, a collection of companies sponsoring a particular flavour of Risc technology.

Shareholders in Elkem tighten grip

ELKEM, the troubled Norwegian metals producer, plans board changes which will give the company's two biggest shareholders more say in management decisions, writes Karen Fossli in Oslo.

Mr Kaare Moe, Elkem's chairman, is to be replaced by Mr Finn Jebsen, president of Orkla, a Norwegian industrial company with interests ranging from paper to branded food products.

Mr Jebsen currently holds a position on Elkem's board. He will be replaced as a director by Mr Anders Eckhoff, a lawyer, representing Saga Petroleum, Norway's biggest independent oil company. Orkla owns 30.2 per cent of Elkem and Saga 12.4 per cent.

The board changes, already agreed in principle, are to be made formally at a special meeting called for February 3.

At last year's nine-month interim, Elkem reported a NKr367m ($58m) loss, before extraordinary items, against a NKr40m deficit previously. It blamed difficult market conditions for its main products.

Elkem is currently reviewing measures to rein in costs, but last October stopped producing manganese in Beuharnois, Canada, and implemented plant closures in Norway.

Mr Jebsen said yesterday that the management changes would lead to closer co-operation and co-ordination among the owners, the board and the corporate management. He expected them to trigger an improvement in Elkem's operations and future results.

Norsk Hydro, Norway's biggest stock market listed company, yesterday rejected speculation that it is to merge with Elkem.

Deutsche Bank plans to increase dividend payout

DEUTSCHE Bank, Germany's largest bank, said yesterday it planned to increase its dividend for 1991 by DM1 to DM15 ($9.28) per share, writes David Waller in Frankfurt.

The bank said that the decision to raise the pay-out reflected satisfactory 1991 profits. Last month, it reported operating profits up 22 per cent to DM5.2bn for the first 10months of 1991 and said it expected a 23 per cent increase to DM6.3bn for the whole year.

Germany's large banks all reported good figures at the 10-month stage, a result of strong demand for credit, high interest rates, and strong results from own-account trading. But Deutsche Bank is the only bank to commit itself to a dividend increase.

One reason why Deutsche Bank is able to raise the payout is that it took early steps to make large provisions against its uninsured exposure to the former Soviet Union.

Compaq hit by price competition

By Louise Kehoe in San Francisco

COMPAQ Computer, facing severe price competition in the personal computer market, reported sharply lower income and revenue for 1991 as the company embarked upon an overhaul of its product and distribution strategies.

Fourth-quarter net income of $67m, or 77 cents a share, was at the high end of analysts' estimates but down 51 per cent from $135m, or $1.50, in the same period a year ago. Compaq's fourth-quarter sales declined by 13 per cent to $873m from $1bn last time.

For the full year, Compaq reported net income of $131m, or $1.49, down 71 per cent from $455m, or $5.12, in 1990. In the third quarter, it took a $135m restructuring charge.

Revenues for the year were $3.3bn, a decrease of 9 per cent from $3.6bn in the previous year.

Intense price competition, fuelled by poor economic conditions was the largest cause of Compaq's lower revenues, the company said.

In October, Compaq realigned its top management and announced plans to launch new low-cost products that will be more competitive.

These products will include "low-end and mid-range personal computers in each segment of the market, including desktops and portables," said Mr Benjamin Rosen, chairman. The new products will begin to emerge around mid-year, he added.

Compaq is also planning new products aimed at the Japanese market.

"In the fourth quarter we made a good start on bringing the company's costs into line with market conditions," said Mr Rosen. "Costs will be our number one priority in 1992."

Compaq is anticipating slow economic growth in the US and Europe in the year ahead as well as relatively slow growth of about 5 to 8 per cent in the personal computer market, Mr Rosen said. "The market will continue to be very competitive in terms of pricing," he added.

Fourth-quarter gross margins improved from the previous quarter, but this was largely a result of favourable exchange rate trends, the company acknowledged.

Earlier this month, Compaq announced it had withdrawn from a technology partnership with Silicon Graphics, a workstation manufacturer.

Phelps Dodge reports sharply lower earnings

By Barbara Durr

PHELPS DODGE, the world's second largest producer of copper and a leading fabricator of metal products, reported sharply lower earnings in 1991 because of lower prices for copper and higher production costs.

Results were also held down by reduced prices for carbon blacks, used for toughening rubber for tyres, and fewer sales of truck wheels and rims to the recession-hit US automotive industry.

For 1991, net income was $272.9m, or $7.86 a share, down from $454.9m, or $13.12, in 1990. Sales were $2.43bn for 1991, against $2.63bn in 1990.

Mr Douglas Yearley, chairman, said last year's results were "gratifying in light of the state of the world economy".

He praised the mining division for its solid performance in spite of a 14 cents drop in the average price per pound of copper to $1.05 in 1991. The division suffered from higher production costs related to lower ore grades treated at its Tyrone mine in New Mexico and higher stripping ratios at its Morenci mine in Arizona.

In the fourth quarter, consolidated net income was $75.2m, or $2.16 a share, against $102.9m, or $2.98. This included $8.8m after taxes from a dividend on its 16.2 per cent interest in Southern Peru Copper. Fourth-quarter sales fell to $613.3m from $636.1m in 1990.

US drug companies move ahead

By Karen Zagor in New York

MERCK, the world's largest pharmaceuticals company, yesterday posted fourth-quarter net profits 20 per cent higher at $529.8m, or $1.37 a share. Sales rose 10 per cent to $2.3bn.

Sales growth would have been 2 percentage points higher but for the rise in the dollar exchange rate since last year, which caused lower dollar translation on Merck's 46 per cent overseas sales.

The strong performance was led by Merck's newer drugs. The company's Vasotec, Vaseretic and Prinivil blood-pressure drugs and its Mevacor and Zocor cholesterol-reducing drugs, brought full-year earnings to $2.12bn, or $5.49 a share, up about 19 per cent.

Sales for the year advanced 12 per cent to $8.6bn from $7.67bn.

Merck also benefited from favourable tax rates in 1991. Pre-tax earnings for the fourth quarter rose 19 per cent to $790.7m and for the year grew 17 per cent to $3.17bn.

The company said yesterday its new drug application for Proscar, to treat and control benign prostate disease, would be reviewed by the Food & Drug Administration's advisory panel on February 4.

● Warner-Lambert, based in Morris Plains, New Jersey, turned in underlying fourth-quarter earnings of $121m, or 90 cents a share, up 15 per cent from $105m, or 78 cents, a year earlier.

The company took an after-tax restructuring charge in the quarter of $3.11 a share which resulted in a fourth-quarter loss of $297m, or $2.21 a share.

Sales rose 7 per cent to $1.34bn from $1.25bn.

For the year, Warner-Lambert posted net income of $34.8m, or 26 cents, on sales of $5.06bn, compared with earnings of $484.9m, or $3.61, on sales of $4.69bn.

Stripping out one-time items, the company's earnings rose 15 per cent to $559m, or $4.16 a share.

Warner-Lambert has also increased its annual dividend to $2.04 a share from $1.76.

Nova set back by C$675m charge

By Bernard Simon in Toronto

WEAK chemicals markets and a large fourth-quarter write-down pushed Nova Corporation of Alberta into a C$629m (US$542.2m) loss from continuing operations last year.

The setback was due largely to an after-tax restructuring charge of C$675m, the bulk of which was applied to chemicals assets. The company said the charge would boost future after-tax earnings by about C$50m a year, thanks to lower depreciation expenses.

The net loss for 1991 was C$923m, or C$2.99 a share, compared with earnings of C$185m, or 55 cents a share, the previous year. The figures include losses of C$294m last year and C$18m in 1990 from Nova's 43 per cent interest in Husky Oil, which has subsequently been sold.

Revenues fell to C$3.1bn from C$4bn.

Fourth-quarter income from continuing operations, before the restructuring charge was C$7m, down from C$67m a year earlier.

Nova said that while its natural gas pipeline business earned "steadily increasing profits", earnings were hit by the weak performance of the chemicals division.

Operating income from pipelines for 1991 advanced to C$365m from C$279m. Nova transports almost all Alberta's natural gas output from the wells to export points on the province's borders.

But earnings from chemicals tumbled to C$29m, including a C$16m fourth-quarter loss, from C$373m. While margins have stabilised, they remain depressed. The company said it expected little or no improvement in the chemicals market for the time being.

Allstate to sell Canadian operations

By Barbara Durr in Chicago

ALLSTATE Insurance, a wholly-owned subsidiary of Sears, Roebuck, the US retail and financial services conglomerate, plans to sell its Canadian operations, which include property/casualty and life insurance lines.

Allstate Insurance Company of Canada, based in Markham, Ontario, represents less than 4 per cent of Allstate's consolidated operations, but it is considered among the top 10 personal insurers in Canada.

The move appeared to reflect Sears, Roebuck's continuing effort to restructure and focus its capital. This month it agreed to sell a small stake, worth about $52.4m, in Seiyu, the Japanese supermarket chain operator.

Mr Ray Kiefer, president of Allstate Insurance and chairman of Allstate Insurance Company of Canada, said: "The move is in no way reflective of the financial results of the Canadian operation, which has just completed one of its most successful financial years." Sears' overall results for 1991 are due in the next few weeks.

Mr Kiefer said the company intended to seek "successful new owners." The Canadian company may sell its commercial division to concentrate on the property/casualty and life markets.

S&P cuts UTC debt rating

By Martin Dickson

STANDARD & Poors, the US credit agency, yesterday lowered its rating on United Technologies' debt, citing the group's recent $1.5bn charge for restructuring moves and environmental costs.

The agency cut its rating of UTC's senior debt from double-A-minus to single-A-plus.

It said the charges reduced the near-term financial flexibility of the aerospace and diversified manufacturing company and highlighted the increasingly competitive nature of its core businesses.

USX results plunge into the red in fourth quarter

By Martin Dickson in New York

USX, the US steel and energy group, yesterday reported a fourth-quarter loss of $394m, compared with a profit of $267m last year, as both its US Steel business and the Marathon oil subsidiary plunged into the red.

US Steel, which has been hit hard by the US recession, reported a net loss of $165m on sales of $1.3bn, against income of $51m on sales of $1.6bn in the same period of 1990.

USX is unusual in that it lists the shares of its steel and energy components separately and attributes earnings to the two separate parts of the business.

Fourth-quarter losses per share at the steel group totalled $3.25, compared with a profit of 99 cents a year ago. The figures included restructuring charges of $80m and litigation and environmental charges of $49m. Litigation and environmental charges totalled $61m a year ago.

For the full year, the steel group lost $507m, against net income of $310m in 1990.

Mr Charles Corry, USX chairman, said both prices and domestic demand had been down substantially from 1990. While some economists remained hopeful for 1992, the near-term outlook for the US Steel group was clouded by continuing weakness in the domestic economy and over-supply in world steel markets.

The expiration, at the end of the first quarter, of the voluntary restraint agreements governing imports to the US added to the uncertainty.

The Marathon business produced a fourth-quarter net loss of $229m, or 90 cents a share, compared with net income of $216m, or 84 cents, in the fourth quarter of last year. Sales were $3.6bn, down from $4.6bn.

The net loss included an unfavourable non-cash inventory market valuation reserve adjustment of $260m, while the same period last year included a favourable $140m adjustment. For the year, Marathon lost $71m, against income in 1990 of $508m.

Mr Corry said the decline in operating income stemmed primarily from lower liquid hydrocarbon prices and reduced refined product margins.

Procter & Gamble advances 7%

By Martin Dickson

PROCTER & Gamble, the US consumer products group, yesterday reported a 7 per cent increase in second-quarter net earnings.

It said it had been helped by good volume growth in internationally markets, where the company has been expanding aggressively.

Net earnings totalled $523m, or $1.47 cents a share, against $490m, or $1.36, in the same period of last year. Net sales rose 9 per cent in the October-December period from $6.86bn to $7.51bn.

The company said the increases were due to "broadly-based unit volume growth in the US and international businesses".

In the first half, net earnings totalled $1.059bn, 1 per cent up on the $1.045bn recorded a year earlier. Earnings per share were $2.99, against $2.93, and net sales rose 9 per cent to $14.7bn.

The company said the increase in earnings from unit volume growth had been partly offset by the impact of lower wood pulp profits, interest and goodwill related to its Max Factor and Betrix cosmetics acquisitions, and adverse foreign exchange effects in the first quarter.

Mr Edwin Artzt, chairman, said he was pleased by the improving trend in worldwide unit volume growth.

During the first half the international business had grown at double digit rates, and despite recessionary softness in the US, volume there had increased 5 per cent, with growth in most leading product groups.

GM issues $750m preference stock

By Martin Dickson

GENERAL MOTORS, the US automobile group suffering severe losses because of recession, is taking a further step to strengthen its balance sheet by issuing $750m in a new preference stock. This is its third equity offering in seven months.

The company has filed with the Securities and Exchange Commission to offer a new class of preference stock convertible into the company's class E common stock.

Dividends of the E stock are based on the performance of Electronic Data Systems, the profitable information technology business that General Motors acquired in the mid-1980s.

The share issue means that GM is using the success at Electronic Data Systems to bolster the poor performance of its North American automobile operations, which are estimated to have lost more than $6bn in 1991, leading to a group loss of about $3bn.

Some 12m depositary shares of $50 will be issued in the US and a further 3m internationally, while the underwriters will have an option to buy a further 2.25m.

The issue forms part of a rush to issue new stock by corporate America, which is trying to reduce the leverage of its balance sheet and take advantage of the rise on the stock market and low interest rates.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Marine Midland cuts loss to $23.8m

By Simon Holberton in Hong Kong

MARINE Midland Banks, the Hongkong and Shanghai Bank's troubled US subsidiary, yesterday reported a fourth-quarter loss of US$23.8m – sharply lower than the US$164.3m loss declared for the last quarter of 1990.

In announcing the New York-based bank's seventh quarterly loss, Mr John Bond, Marine Midland's president and chief executive, held out hope that the result of substantial cost-cutting and rationalisation of the bank's activities might soon repay shareholders.

"Despite a difficult economic environment and continuing real estate problems, we see some light at the end of the tunnel and expect considerable improvement in 1992," he said.

For the year, Marine Midland posted an after-tax loss of $189.9m, compared with a loss for 1990 of $295.6m.

This is relatively good news, however, for Hongkong Bank's profits, as any improvements in Marine Midland's performance should flow through to higher earnings for its parent. Hongkong Bank is due to report its 1991 results in March.

Marine Midland ended the year with a tier-one capital ratio of 7.66 per cent. During the September quarter, Hongkong Bank injected $200m of additional capital into the bank. In May 1990, the bank injected $300m into its ailing subsidiary.

Over the past two years, Hongkong Bank has embarked upon a policy of down-sizing Marine Midland's operations in the US. It has given up all pretentions to be a money centre bank and is now concentrating on retail banking and lending to small and medium-sized businesses in up-state New York and the north-east generally.

It has virtually eliminated its exposure to LDC debt, has withdrawn from vehicle financing, and is now taking a tougher line on real estate lending. These policies are reflected in Marine Midland's balance sheet, which contracted from $20.1bn in 1990 to $16.9bn at the end of 1991.

However, whether Marine Midland will ever be the investment bank hoped for is doubtful. By concentrating on the north-east of the US, it has opted for the role of a regional provider of finance – in a region not noted for its sparkling economic prospects.

Share sales help Advance Bank to rise

By Bruce Jacques in Sydney

ADVANCE Bank Australia has become one of the few Australian banks to report earnings growth in the latest period. However, the Sydney-based bank had to rely on an abnormal gain from share sales for its progress.

Advance yesterday reported a 13 per cent rise to A$20.6m (US$15.4m) for the November half, from A$18.2m. The result came on a 4 per cent increase in revenue, to A$141.2m from A$135.5m. The interim dividend is up from 13 cents to 14 cents a share.

The result included a A$3.4m pre-tax profit on share sales. In contrast to most of its larger rivals, Advance reduced its bad and doubtful debt provisions by 19 per cent to A$14.3m in the half.

Net non-performing loans were virtually static at A$139.7m, and tax accounted for A$12.4m against A$10.8m. Depreciation charges eased to A$8.3m from A$9.1m.

Genbel beats mining setback

By Philip Gawith in Cape Town

GENBEL, the investment arm of South Africa's second largest mining house, Gencor, overcame declining earnings in its mining and resource-based investments to lift earnings and dividends by 11 per cent in the six months to the end of December.

Distributable income rose to R82.3m ($29.4m) from R74.5m, equivalent to a rise in earnings per share from 17.1 cents to 19 cents. The dividend was lifted to 15 cents from 13.5 cents. Earnings for the full year are expected to be above last year's.

Mr Anton Botha, managing director, said the performance was creditable considering the fact that 44 per cent of Genbel's assets were still mining-related. This follows an active realignment of Genbel's investment portfolio in recent years, particularly away from gold and into other resource-based equities.

Mr Botha said that to be able to fulfil one of Genbel's primary roles, namely as financing partner to Gencor, it would probably have to raise additional capital. This would be in order to participate in some of the existing, or prospective, large capital projects in the group, such as the Oryx gold mine, the Columbus stainless steel project and the Alusaf aluminium smelter.

He said various means of raising the finance were being examined. These included scrip dividends, borrowings and sales of existing investments.

● Gencor has announced that its R2bn rights offer, the largest in the country's history, has been priced at a 14.5 per cent discount to the market price. Shareholders are being offered 17 new shares for every 100 they hold, at a price of R10 per share. The share price is currently around R11.70.

US disk group unveils memory system

By Alan Cane

STORAGE Technology, a computer disk drive manufacturer based in Louisville, Colorado, yesterday announced a new computer memory which it believes will revolutionise the data storage business.

Called Iceberg, the new memory has been widely promoted by Storage Technology over the past three years as the answer to customers' data storage problems in the 1990s.

The principal advance is a design which should ensure the system will never fail completely. Iceberg applies techniques pioneered by "fault tolerant" computer manufacturers such as Tandem and Stratus; there is built-in redundancy at points where the system could fail. There are, for example, redundant disk drives, electronics, power supplies, cooling systems, operator panels and data paths.

There is considerable intelligence built into the system. Mr Ryal Poppa, Storage Technology chairman and chief executive, said: "With Iceberg, a global company will have access to its critical data virtually 24 hours a day, seven days a week."

Storage Technology's chief competitors in the memory market are International Business Machines and EMC Corporation. The company emerged from Chapter 11 of the US Bankruptcy Code in 1987 after a troubled period in the early 1980s. It reported 1990 net income of $69.3m on sales of $1.14bn.

US prices for Iceberg range from $1.3m to $3.6m. Some 140 customers are commited to buying the new memory.

Bond Corp confirms deal on university

By Bruce Jacques

BOND Corporation, the troubled Australian conglomerate once run by Mr Alan Bond, has confirmed the scheduled sale of its half-share in Australia's first private university – Bond University – to EIE International, an offshoot of the Japanese property conglomerate.

The sale was mooted last year as part of a scheme of arrangement with one of Bond Corp's main creditors, Australian Consolidated Investments.

A statement by Bond Corp to Australian stock exchanges indicated that EIE, which already controlled half the university, had paid A$55m for the second half. This equated to book value, but was well below the A$300m development cost of the university.

Late last year, the university cut staff by 40 per cent, citing uncertainties over continued funding from EIE.

Net at S Korean banks increases to Won796.5bn

SOUTH Korea's city and regional banks' profits increased to Won1,767bn ($2.23bn) in fiscal 1991 from Won1,396bn a year earlier, according to provisional figures released by the Bank of Korea. Reuter reports from Seoul.

Aggregate profits after tax rose 12.9 per cent to Won796.5bn in 1991 from Won705.3bn in 1990. Banks' fiscal years mainly correspond to the calendar year.

South Korea currently has 13 city and 10 regional banks. Hana Bank and Boram Bank and specialised banks such as Korea Development Bank were excluded from the list.

"Bank profits have increased as the scale of their business has grown," the Bank of Korea said. Total assets of the banks rose 23.5 per cent to Won138,900bn in 1991 from Won112,500bn in 1990.

Repayment of loans by short-term finance companies contributed to the banks' improved results. Return on assets fell to 0.57 per cent in 1991 from 0.63 per cent in 1990, while return on equity-capital rose to 7.3 per cent from 6.9 per cent the year before. Reduced overheads were a factor in increased profits.

Korea First Bank had the largest pre-tax profit – Won216bn compared with Won163bn in 1990.

Shinhan Bank again recorded the highest profit after tax – Won116bn in 1991 against Won99bn the year before.

Operating profit at Malayan Cement up 31%

MALAYAN Cement, the Malaysian subsidiary of UK's Blue Circle Industries, lifted operating profits for the year to November by 31 per cent, to M$80m (US$30.1m) from M$61m, writes Lim Sion Hoon in Kuala Lumpur.

Turnover rose 26 per cent to M$354m from M$281m, thanks to the high national level of infrastructure expenditures, which the group said was likely to remain strong this year.

Attributable profit improved 31 per cent to M$53m, or 24 cents per share, for a 15 per cent return on shareholders' equity. The group recommended a second-half dividend of 12 cents a share, bringing the year's payout to 20 cents, down from 35 cents.

Japanese scale down SE reform proposals

By Emiko Terazono in Tokyo

THE JAPANESE Ministry of Finance has been forced to scale down plans for liberalisation of the country's fixed stock exchange commissions, expected to be implemented as early as next year.

Recommendations by an advisory panel to the ministry urged that while Japan's was the only leading stock market where commission rates on stockbroking were fixed, liberalisation should be implemented gradually, starting with large-lot transactions.

Fixed stockbroking commissions have been blamed as the main cause of brokers' payment of compensation to favoured clients. Due to the lack of price competition, Japanese brokers chose to win the favour of large clients by offering compensation on their stock losses.

The Ministry of Finance earlier planned to revise Articles 130 and 131 of the Securities and Exchange Law, the base for the present fixed-rate commission system. However, the review has been met by bitter opposition from the securities industry, which argues that liberalisation will lead to higher small-lot rates, thus driving individuals and other small-lot investors away from the stock market.

Mr Shogo Watanabe, chairman of the Japan Securities Dealers' Association, yesterday expressed displeasure with the advisory panel's recommendation. He said hasty liberalisation would cause serious problems.

The advisory panel has appointed a working group to discuss details of commission deregulation, including the timing of implementation, over the next year.

Meanwhile, the Ministry of Finance said it had completed its review of the financial system. Reform bills to be submitted to the current Diet – parliament – session include the establishment of a financial markets watchdog, and tightening of penalties imposed on violators of the Securities and Exchange Law.

The review of barriers separating banking and securities industries, and interest rate deregulation by the ministry is also underway.

● Moody's, the US credit-rating agency, has placed the long-term ratings of Tokai Bank, a Japanese commercial bank, and its three subsidiaries, under review for possible downgrades.

Moody's said the review of Tokai's Aa3 rating was prompted by the bank's "growing vulnerability to asset quality deterioration". Tokai has been involved in a series of illegal loan schemes, where non-bank financial institutions extended loans totalling Y63bn ($512.2m) based on deposit receipts, allegedly forged by the bank's former employee, as fake collateral.

Tokai recently announced it would take over the loans of the non-bank institutions.

Treasuries advance ahead of President's address

By Patrick Harverson in New York and Sara Webb in London

US BOND market investors and traders continued to trade cautiously ahead of President George Bush's State of the Union speech – due late last night – although short-covering and a weaker-than-expected consumer confidence report provided a boost to prices yesterday.

In late trading, the benchmark 30-year government issue was up ⅞ at 104⅛ to yield 7.648 per cent. The short end of the market was also firmer, with the two-year note up 1/32 at 99 31/32, yielding 5.075 per cent.

Prices moved higher in early trading, thanks to news that the Conference Board's consumer confidence index was 50.4 in January, down from a revised 52.5 in December.

The rise in prices was exaggerated by dealers buying bonds to cover short positions before President Bush's speech. His address to Congress was expected to outline measures to boost the ailing economy, none of which were likely to be favourable to the bond market.

■ GERMAN government bonds ended higher on the day, shrugging off a sharp rise in German money supply and strike worries.

German M3 money supply expanded at an annual rate of 5.7 per cent in December, up from 5.1 per cent in November. Money supply grew at a rate of 5.2 per cent in the final quarter of 1991, exceeding the Bundesbank's 1991 target for growth of between three and five per cent.

The announcement yesterday morning pushed the Liffe bund futures contract down from the opening level of 88.15 to 88.03, but then it picked up to reach 88.40 by late afternoon, helped by demand for 10-year bunds.

Elsewhere in Europe, the Dutch government bond market followed the German bond market's lead to close firmer. Tap sales of the 8.25 per cent 15-year bond are due to close today, having raised a total of Fl 4.8bn since the beginning of last week. Traders said demand for the 15-year issue from both international and domestic investors was strong.

■ UK government bond prices gained up to half a point yesterday following the German bond market's lead and sterling's firmness in the foreign exchange markets.

However, traders said many participants remained on the sidelines ahead of today's auction of £1.5bn of the 9¾ per cent gilt due 2002.

The benchmark 11¾ per cent gilt due 2003/07 climbed from its opening of 115¾ to 115 15/16 by late afternoon while short-dated issues gained about an eighth of a point.

■ YEN weakness against the dollar helped to push Japanese government bond prices slightly lower yesterday.

The yield on the benchmark No 129 opened at 5.25 per cent and closed at 5.26 per cent after trading in a narrow range of 5.245-5.26 per cent. Bond market volumes were low ahead of today's 10-year auction, traders said.

The dollar continued to strengthen against the yen, reaching Y125.95 before slipping slightly. The dollar rose after the G7 central bankers and finance ministers failed to support publicly recent strengthening in the yen at their weekend meeting.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	111.6453	-0.402	10.11	9.77	9.69
BELGIUM		9.000	06/01	102.3000	+0.350	8.62	8.62	9.02
CANADA *		8.500	04/02	101.5300	+1.080	8.28	8.09	8.31
DENMARK		9.000	11/00	103.2250	+0.475	8.45	8.44	8.80
FRANCE	BTAN	8.500	11/96	98.4772	+0.264	8.61	8.62	9.26
	OAT	9.500	01/01	106.6200	+0.400	8.38	8.35	8.70
GERMANY		8.25	09/01	102.3500	+0.280	7.89	7.84	8.10
ITALY		12.000	08/01	98.8400	+0.460	12.20	12.33	12.61
JAPAN	No 119	4.800	06/99	96.9410	-0.225	5.57	5.54	5.72
	No 129	6.400	03/00	106.4701	-0.184	5.26	5.25	5.44
NETHERLANDS		8.900	03/01	100.8700	+0.100	8.36	8.34	8.65
SPAIN		11.900	07/96	101.7700	-0.080	11.31	11.37	11.82
UK GILTS		10.000	11/96	101-23	+4/32	9.54	9.61	9.86
		10.000	02/01	103-07	+8/32	9.47	9.60	9.71
		9.000	10/08	98-13	+14/32	9.19	9.22	9.46
US TREASURY *		7.500	11/01	102-11	+20/32	7.16	7.02	6.88
		8.000	11/21	103-28	+21/32	7.67	7.57	7.40

London closing, *New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Move on Estonia debt repayment

By Sara Webb

ESTONIA may be exempted from repaying debts to Britain dating from before the Soviet invasion in 1940. The debts include Republic of Estonia bond issues worth about £600,000 ($1.02m) held by British nationals before the Soviet annexation of the Baltic state.

Representatives of the Estonian government and Bank of Estonia have met officials from the Bank of England, Foreign and Commonwealth Office and Treasury in London to discuss outstanding financial claims between the two countries.

Britain announced last week it has agreed to return gold deposits to Estonia, Latvia and Lithuania. The gold was deposited with the Bank of England in 1940 at the time of the Soviet takeover, and was sold on the open market by the UK government in 1967 for £5.8m, much to the Baltic states' annoyance.

However, it seems likely that following the resolution of the gold issue, Estonia and Britain will waive outstanding claims. According to Foreign Office documents, Estonia's debts to British nationals amount to £609,587, relating to a sterling bond issue and a dollar bond issue, while Estonian assets – excluding the gold – held in the UK amount to £492,907, including bank accounts and securities.

Last year, Estonia hinted the state was prepared to honour its debts, although now this will not be necessary.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]

INTERNATIONAL CAPITAL MARKETS

Italy considers FFr10bn issue of long-dated bonds

By Tracy Corrigan

TWO top borrowers may be preparing to launch offerings in the Euro-French franc market.

Banks are currently bidding for the mandate to arrange a FFr2bn to FFr3bn 10-year deal for the European Investment Bank, due to be launched later this week.

INTERNATIONAL BONDS

Italy, meanwhile, is in discussions with banks over a FFr7bn to FFr10bn offering of long-dated bonds, according to market sources. The Italian authorities are said to be considering a number of proposals for long-dated issues, possibly as long as 20 years. Italy has become expert at raising long-dated funds, an area of the yield curve which is closed to most borrowers, having already launched long-dated deals in sterling and Ecu.

Meanwhile, the EIB is also said to be preparing an offering of floating-rate notes in the Ecu market, which would appeal to Italian investors, who already buy the Italian government's floating-rate Ecu debt, and for whom the EIB name offers tax benefits.

In the Swiss franc market, Crédit Agricole launched a SFr75m issue of reverse-floating rate notes, the first use of the structure in the Swiss market, according to lead manager Swiss Bank Corporation.

The seven-year notes pay interest at 12¾ per cent minus the six-month London interbank offered rate (Libor), which currently stands at around 7¼ per cent, to give an initial interest rate of about 5½ per cent. However, because the interest rises if Libor falls, the issue provides a hedging interest for money-market funds, which are exposed to falling short-term rates.

However, the flow of such deals is likely to be limited by the lack of opportunities in the swaps market.

The General Mortgage Bank of Sweden tapped the Swiss market for the first time yesterday, with a SFr100m issue of subordinated debt.

In the sterling sector, the Nationwide Building Society added a £50m tranche of floating-rate notes to an existing £150m issue, via Samuel Montagu.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Nationwide Building Soc.(b)‡†	50	(b)	99.53	1995	-	Samuel Montagu
AUSTRALIAN DOLLARS						
Toronto-Dominion(a)†	75	10	101.8	1997	2/1½	Westpac Banking
SWISS FRANCS						
G.Mort.Bk.K'dom.of Sweden(c)†	100	7⅜	101	2002	-	Credit Suisse
C.Nat.d'Credit Agricole(d)‡†	75	(d)	101¼	1999	-	SBC

‡‡Private placement. §Convertible. ‖With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing £150m issue. Coupon 10bp over 3-month Libor. Non-callable. c) Subordinated issue. Non-callable. d) Reverse FRN issue. Coupon pays 12¾% minus 6-month Libor. Minimum coupon 4%. Non-callable.

Burlington Industries announces IPO

By Sara Webb

US COMPANIES continue to dominate the international equity markets as those groups which became heavily indebted as a result of leveraged buy-outs in the 1980s are now turning to the equity markets again with initial public offerings (IPOs).

INTERNATIONAL EQUITY ISSUES

The largest IPO to be announced recently is a $855m deal for Burlington Industries. Morgan Stanley, which took the textile group private five years ago, is now lead manager for the IPO.

Two other IPOs which have been filed are for the conglomerate Coltec, which hopes to raise about $500m, and Foodmaker, the US fast food chain, which is seeking $210m.

Further Percs – or preference equity redemption cumulative stock – issues are expected from the US with Tandy and MaCaw expecting to raise about $400m and $350m respectively.

Percs offer investors a high yield in return for limited capital gain.

Outside the US, attention is focusing on Istituto Bancario San Paolo di Torino, the Italian banking group which is due to tap the markets for an estimated $1.25bn to $1.5bn IPO soon, representing one of the largest issues scheduled for the European markets so far this year.

About 40 per cent of the equity issue will be offered to international investors, predominantly in Europe.

Mediobanca, the Milan-based merchant bank, is the lead manager with S. G. Warburg and Hambros managing the offering in the UK, Indosuez managing the offering in France, and Salomon Brothers the US portion.

San Paolo will be the second bank to take advantage of the new Amato Law, under which public-sector banks can float up to 49 per cent of their ordinary shares.

Banco di Napoli launched the first deal of its kind last year, raising L400bn.

Investors fall foul of market turbulence

Robert Thomson on an unwelcome precedent created by a Japanese equity fund

WHEN Daiwa Investment Trust and Management launched its New Stage stock investment trust fund four years ago, the company and the fund's investors had few doubts that the irrepressible Tokyo Stock Market would provide profits for all.

Those expectations appeared to be confirmed in 1989, when the market swirled ever higher and there was a rush by other investment trust companies to launch funds to satisfy stock-hungry investors. But instead of generating profits, the New Stage has created an unwelcome precedent.

Japan's Ministry of Finance has just allowed Daiwa to extend the life of the fund for another three years because the plunge in stock prices has pushed it below par value. New Stage was apparently the first to be given approval because, unlike some other equity funds likely to be extended in coming months, that fund was not far below par value – about 2 per cent.

The ministry and the industry have agreed on the extensions in an attempt to slow a rush of redemptions by investors, the threat of which has put downward pressure on Japanese stock prices. At the same time, according to Daiwa, many investors asked for an extension because to cash-in now would mean a loss of money and a loss of face.

"A lot of our investors preferred to wait for a better result than to take what is available now. We, Daiwa, also want to prove our sincerity to our customers," Daiwa Investment Trust and Management said.

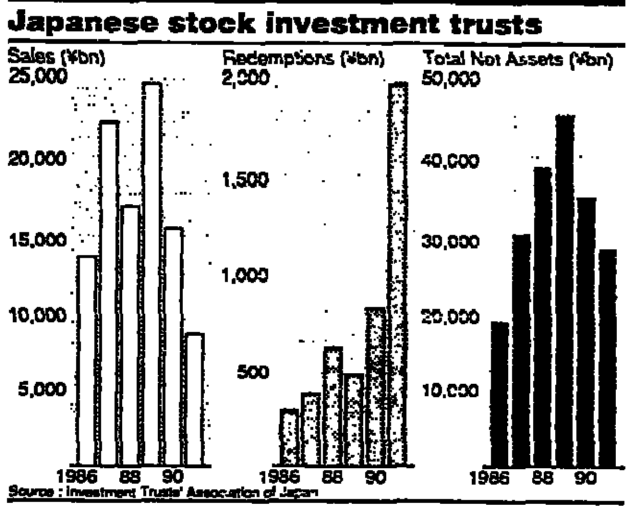
Having reached a high of 38,915.87 in late 1989, the Nikkei stock average has been languishing at around 21,000 in recent weeks. Market weakness has had three damaging effects on equity investment trusts: it has eroded the net asset value of the funds, slowed the flow of fresh funds and increased the rate of redemptions.

The net asset value of equity and bond investment trust funds fell 9.8 per cent last year, with the net assets of stock funds down from Y35,077.2bn ($279.7bn) at the end of 1990 to Y28,562.4bn. The value of new stock funds launched was down 43 per cent to Y8,640bn, the lowest level in six years, while the net assets of bond funds rose 18.2 per cent, reflecting the strength of the bond market.

Meanwhile, there was a 2.4 increase in redemptions of stock funds, with pre-maturity redemptions the vast majority. With that trend in mind, the Finance Ministry, which likes to see markets conducted in an orderly manner, allowed Daiwa to postpone the redemption date, the first extension of its kind since 1965.

In the early and mid-1960s, cancellations of investment trust funds pushed stock prices lower in a troubled market which almost claimed Yamaichi Securities – one of the big four brokers – as a victim. In 1965, investment trusts accounted for about 7.7 per cent of shares traded, compared with 3.7 per cent in 1990 – the funds' market influence has lessened, but fears of instability remain.

Japanese stock investment trusts



Source : Investment Trusts' Association of Japan

The name "stock investment trust" is slightly deceptive as at the end of November only 49 per cent of their total monies were invested in stocks, with 17.4 per cent in bonds and most of the remainder in cash accounts.

The equity funds are particularly attractive to individual investors, who are unable to afford to trade directly in shares, which, even in a depressed market, is still expensive in Japan.

Individuals accounted for about 75 per cent of purchases in the late 1950s, though that figure was closer to 90 per cent last year, reflecting the great reluctance of financial institutions and industrial corporations to invest – in 1990, the former accounted 13.5 per cent of purchases in unit type trusts, and the latter 8.5 per cent.

While the weakness of stock prices has been a good reason not to buy, the securities industry scandals last year also encouraged individuals to stay away. The 16 Japanese investment trust companies are tied to securities houses, many of which were shown last year to have favoured corporate clients by compensating them for trading losses.

Mr Stephen Barber, president of MIM Investment Trust Management, one of four foreign concerns granted investment trust licences at the end of 1990, said the scandals were the "final nail" last year. However, if the stock market surges, he expects "self-interest would cause people to forget the scandals pretty quickly".

The Investment Trusts' Association of Japan admits the scandals have an effect, but a spokesman said the market turbulence of the past two years has taught investors a valuable lesson: "I don't think people really understood that prices could go down and that they could lose money. Maybe its partly the fault of sales staff, but both investors and salesmen forgot that there was a risk involved."

Another association official believed that some funds are at between 60 and 70 per cent of their par value, and investors in open funds will have to decide whether to cut their losses or ride out the weakness in the market. Much depends on the course of Tokyo stock prices over the next few months, as signs of a recovery will encourage investors to stay with their funds, while indications of enduring weakness are likely to prompt increased redemptions.

Switzerland suffers setback over financial proposals

Ian Rodger on fresh controversy over plans for a national electronic stock exchange

EFFORTS to strengthen Switzerland's financial centre have received a fresh setback with the decision this week to redraft a plan to create a national electronic stock exchange.

The decision, by leaders of the three main Swiss stock exchanges, comes only days after the canton of Zurich, which hosts the country's largest exchange and most other financial markets, confirmed its strong opposition to a Finance Ministry plan to create a federal securities law.

Both projects could cut into Zurich's approximately SFr50m ($35.7m) in annual revenues from securities business related taxes.

However, there is growing anxiety in Swiss financial circles that unless the exchanges are consolidated and a clear federal law established, the strength of Switzerland's financial centre will continue to deteriorate. Already, about one-fifth of Swiss share transactions are made on London's Seaq.

The project to create a national electronic stock exchange has been dogged by controversy since its 1989 launch. The initial plan was to set up a system for bond trading only, with the capacity to add on share trading at a later time. But the continuing slump in share trading volume highlighted the need to consolidate the then seven stock exchanges operating in the country. At the end of 1990, four closed, leaving Zurich, Geneva and Basle. Everyone knew only Zurich had a future.

The project was then redefined, bringing the share trading element forward, thus offering Geneva and Basle a face-saving way of fading from the picture. The projected cost of about SFr30m, became higher, not least because the exchanges were specifying the system match their efficient and reliable manual settlement procedures.

Geneva and Basle exchange officials became embittered, sniping at their Zurich cousins for investing in a new building with trading floors that would be obsolete from the day they opened.

In December, Andersen Consultants, which had been hired to carry out the project, submitted a definitive plan. After examining it, the exchanges decided the risk was too high.

"We have decided to stop for the time being the approach we have been taking," Mr Gian Pietro Rossetti, president of the Association of Tripartite Bourses (ATB), said, adding that the ATB was considering two ways forward, either to buy and adapt a system already developed for Australia's stock exchanges or to continue on the basis already started.

In either case, it would try to make better use of the substantial in-house knowledge built up when developing the software for the Swiss futures and options exchange (Soffex).

He denied claims the change of course was due to the reluctance of Zurich brokers to invest in the electronic market at this time.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday January 28 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jan 27 Index No.	Fri Jan 24 Index No.	Thu Jan 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	788.65	+0.8	8.63	6.09	14.83	0.52	782.61	773.50	781.57	707.11
2 Building Materials (23)	959.50	+1.4	7.25	6.49	18.67	0.44	946.46	931.56	942.99	967.04
3 Contracting, Construction (29)	869.82	+0.2	9.13	8.52	15.84	0.00	867.88	859.14	861.58	1080.09
4 Electricals (7)	2462.96	-0.2	10.08	6.09	12.47	0.00	2467.95	2453.60	2505.71	1878.30
5 Electronics (26)	1750.85	+0.8	10.53	4.91	12.04	1.00	1736.64	1724.33	1720.32	1564.93
6 Engineering-Aerospace (8)	334.64	+3.5	16.13	7.77	7.54	0.74	323.22	326.34	334.31	391.10
7 Engineering-General (43)	491.72	+1.1	9.67	5.02	12.75	0.92	486.19	483.68	485.56	345.06
8 Metals and Metal Forming (10)	330.93	-0.6	2.11	10.49	-	0.00	332.93	326.83	326.09	401.86
9 Motors (13)	301.97	+0.5	8.45	7.90	15.72	0.00	300.53	294.43	300.00	275.70
10 Other Industrial Materials (19)	1618.83	+0.2	7.44	5.06	16.00	0.69	1615.94	1589.72	1615.32	1233.77
21 CONSUMER GROUP (188)	1651.70	+0.6	7.04	3.34	17.48	1.80	1642.53	1621.84	1628.62	1203.23
22 Brewers and Distillers (23)	2071.71	+0.9	8.03	3.42	15.10	7.92	2053.06	2045.26	2055.45	1516.75
25 Food Manufacturing (18)	1241.65	+1.2	8.68	4.09	14.23	2.11	1226.67	1216.42	1223.51	1040.38
26 Food Retailing (17)	2527.99	+0.7	8.74	3.28	14.87	0.39	2511.41	2453.50	2434.01	2320.85
27 Health and Household (24)	4500.08	+0.4	5.05	2.17	22.71	0.88	4482.92	4394.16	4434.50	2580.74
29 Hotels and Leisure (24)	1260.67	....	7.63	5.32	16.30	0.07	1260.53	1256.57	1268.60	1095.06
30 Media (23)	1484.77	....	6.59	3.62	19.07	1.22	1484.52	1469.59	1462.02	1176.66
31 Packaging, Paper & Printing (17)	755.04	+0.7	7.01	4.40	17.28	0.22	750.05	749.08	751.85	496.85
34 Stores (32)	1022.20	+0.4	7.18	3.64	18.45	0.23	1018.06	1002.59	1005.02	766.89
35 Textiles (10)	609.12	-0.3	7.55	5.08	16.89	0.00	610.89	608.99	611.24	397.19
40 OTHER GROUPS (115)	1208.95	+0.4	9.97	5.48	12.65	6.09	1204.53	1189.62	1197.12	1006.96
41 Business Services (16)	1375.89	-1.3	7.29	4.77	17.44	0.00	1394.27	1371.86	1386.02	924.37
42 Chemicals (21)	1475.51	+0.2	6.84	4.96	18.06	0.44	1472.75	1452.83	1457.60	1069.58
43 Conglomerates (11)	1297.89	-1.7	11.18	7.81	10.89	3.11	1319.72	1305.80	1340.70	1278.35
44 Transport (14)	2402.96	+0.2	5.34	4.70	24.67	2.46	2397.84	2392.29	2435.67	1762.57
45 Electricity (16)	1195.66	+2.3	15.17	6.22	8.58	15.30	1168.75	1150.10	1144.20	1061.57
46 Telephone Networks (4)	1385.25	+0.8	11.33	4.53	11.53	15.96	1374.41	1356.38	1359.04	1156.97
47 Water (10)	2334.78	+1.1	18.28	6.81	6.03	0.00	2308.76	2253.13	2254.74	2335.17
48 Miscellaneous (23)	1818.74	+0.2	5.46	5.37	25.19	0.95	1814.33	1798.86	1802.08	1555.46
49 INDUSTRIAL GROUP (481)	1293.42	+0.5	8.22	4.49	15.22	2.88	1286.51	1270.61	1278.15	1022.20
51 Oil & Gas (19)	2176.19	+0.4	11.76	6.44	11.25	8.11	2168.33	2161.09	2176.50	2137.67
59 500 SHARE INDEX (500)	1372.92	+0.5	8.61	4.70	14.64	3.28	1365.85	1350.33	1358.54	115.160
61 FINANCIAL GROUP (87)	730.87	+0.3	-	6.36	-	0.13	728.37	722.14	723.37	696.90
62 Banks (9)	877.33	+0.6	4.38	6.05	46.45	0.00	872.42	868.17	865.31	741.25
65 Insurance (Life) (6)	1414.23	-1.1	-	6.04	-	0.00	1430.51	1413.93	1434.28	1275.21
66 Insurance (Composite) (7)	516.90	+0.6	-	8.43	-	0.00	514.00	505.18	508.10	607.03
67 Insurance (Brokers) (10)	1025.53	-0.6	7.54	6.51	17.45	1.80	1031.35	1017.20	1020.75	971.38
68 Merchant Banks (7)	466.19	+0.9	-	4.60	-	0.00	462.20	461.23	458.52	335.89
69 Property (34)	799.30	+0.8	6.87	5.67	20.74	0.44	792.74	783.35	785.38	940.34
70 Other Financial (14)	239.64	+0.6	11.13	7.46	11.33	0.00	238.26	239.01	240.38	238.63
71 Investment Trusts (68)	1194.98	+0.7	-	3.65	-	1.66	1186.94	1173.33	1184.45	969.26
99 ALL-SHARE INDEX (655)	1219.99	+0.5	-	4.87	-	2.56	1213.90	1200.51	1207.29	1011.57

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	Year ago
FT-SE 100 SHARE INDEX♦	2552.0	+12.1	2553.3	2540.4	2539.9	2510.4	2525.3	2522.0	2543.4	2113.8

FIXED INTEREST

PRICE INDICES	Tue Jan 28	Day's change %	Mon Jan 27	Accrued interest	xd adj. 1992 to date	AVERAGE GROSS REDEMPTION YIELDS	Tue Jan 28	Mon Jan 27	Year ago (approx.)
[illegible]									

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	3	20
Other Fixed Interest	9	1	7
Commercial, Industrial	366	201	913
Financial & Property	204	85	504
Oil & Gas	17	21	53
Plantations	0	0	9
Mines	28	16	108
Others	52	40	39
Totals	732	367	1,653

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-
43	Nil	6/2	13½pm	7pm	Airbreak Leisure 5p	13½pm	+2
330	Nil	-	56pm	45pm	BM Group 10p	56pm	
220	Nil	26/2	27pm	13pm	Beales Hunter 20p	13pm	
150	Nil	11/3	24pm	23pm	Hi-Tec Sports	24pm	
185	Nil	-	71pm	68pm	Whessoe	71pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. a Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♣ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ‡‡ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Jan. 20
- Last Dealings Jan. 31
- Last Declarations Apr. 23
- For settlement May 5

3-month call rate indications are shown on this page.

Calls in: Airtours, Aviva, Burton, Fisons, FNFC, Gartmore Value, Lovell (Y.J.), Marks & Spencer, Midland & Scottish, Palon, Racal, Stanhope, Tarmac & Willis Corroon. **Puts in:** Amber Day & Ladbroke Group. **Put & Call:** Amstrad.

LONDON TRADED OPTIONS

[illegible]

Brit Aero (*281)	280	12	20	32	12	32½	39½
	300	5	15½	24	25½	47½	52½
BAA (*550)	550	13½	35½	42½	11	22	28½
	600	1½	14½	22	52	54½	57½
BAT Inds (*648)	600	48½	60½	67½	2	14	21½
	650	14	32½	39½	15½	33½	44½
Hillsdown (*156)	140	19½	24½	25½	3	6½	8½
	160	6½	11½	14½	9½	17½	18½
Lonrho (*124)	120	12½	20	23	7¼	12½	17½
	130	8	14	19	13½	17½	22

January 28 Total Contracts 28 724
Calls 13,913 Puts 14,811
FT-SE Index Calls 2,199 Puts 6,269
Euro FT-SE Calls 1,809 Puts 1,395
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price † Long dated expiry months
Premiums shown are based on middle prices

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**OILS**	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**MINES**	
Bowater	56	Glaxo	70	Racal Elect	4½	**PROPERTY**		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

BET shares fall 17p as its broker cuts forecasts

By Michiyo Nakamoto

BET, the business services conglomerate, saw its shares tumble 13 per cent to 153p in heavy trading before closing 17p down at 159p in the face of downgradings by analysts including the group's broker.

Analysts have recently turned bearish about BET and forecasts of its performance over the year to March have recently been lowered by a growing number in the City.

Last week, UBS Phillips and Drew, Warburgs, James Capel and Robert Fleming Securities all lowered their forecasts. UBS, which was considered a strong supporter of BET, cut its forecast from £158m to £130m pre-tax this year and from £170m to £140m for next year.

The sharp fall was said to have been triggered by the decision of Cazenove, BET's broker, to follow the trend. Cazenove would not comment yesterday.

The decision by UBS to lower its forecast and reverse its position to a seller of the shares was also noted on the market as another key factor.

Analysts expressed concern about the effect of continuing slow business activity in the UK and the US on the group's services, plant and construction operations. The expected slow pace of recovery of the UK economy and BET's involvement in low end business services were not encouraging.

A further concern was the possibility that BET would cut its dividend. Mr Mark Shepperd at UBS said: "I no longer believe that (the dividend) is absolutely safe."

With the lower forecasts, the dividend is likely to be uncovered for the next two years. It would be in the company's own interests to think about reducing its dividend to allow more cash to be invested in its own business, Mr Shepperd added.

Last year when BET announced sharply lower first half profits, its shares gained 5p to 212p despite a 44-point fall in the FT-SE Index. Investors had been cheered at the time by the group's decision to maintain the interim dividend at 4.25pand by its improvement in the generation of operating cash.

See Lex

Fisons plant gets licence for UK after refit

By Paul Abrahams

FISONS, the pharmaceuticals group, yesterday said the UK's Medicines Control Agency had relicenced its refitted Holmes Chapel plant in Cheshire.

Fisons was forced to refurbish the factory after the US Food and Drug Administration (FDA) banned two products, Opticrom, a hayfever medication, and Imferon, a blood product, following the discovery of quality control problems. Before a plant can start manufacturing after refitting, it must be relicenced by the Medicines Control Agency.

Analysts expect FDA officials to visit the Holmes Chapel facilities in mid-March. They believe it may take some weeks after the visit for the FDA to licence the site. Until then, the two products will continue to banned in the US.

Last month Fisons said the ban would reduce its profits by £65m. Shortly afterwards, Mr John Kerridge, chief executive and chairman, resigned for reasons of ill-health.

Fisons shares closed up 20p at 369p.

Pensioners seek government support

By Raymond Snoddy

MEMBERS OF the private Maxwell pension fund schemes yesterday appealed to the government to intervene and make good pension losses suffered because of the collapse of the Maxwell empire.

The pensioners and employees of AGB Research, the market research group, were speaking on the day after it was decided to wind up four pension funds covering about 4,000 employees.

Mr Mike Kirkham, managing director of AGB International, who could lose much if not all of his 22 years of pension contributions, said yesterday that *the current status of the funds* was horrendous. It was not known precisely how many members there are or how much money is left.

"We believe in this situation we have the right to look to Parliament to protect our interests as citizens from criminality and injustice. We look to Parliament for restitution," Mr Kirkham said.

Mr Alan Fishman of Clay & Partners, the independent trustee of the funds, has made it clear that while he hoped to continue paying benefits to existing pensioners there might to little money left to pay current employees and deferred pensioners, who have left the company but still had some pension rights.

The reality of what that might mean was all too apparent at yesterday's press conference.

Tony Andrews

Mike Kirkham: current status of funds was horrendous

Mrs Lola Baker, personal assistant to a managing director of one of the AGB companies bought by Robert Maxwell in 1988 was told in November she was being made redundant after 31½ years with the company. The redundancy never happened.

On December 5 she said she was called by Arthur Andersen, the administrator, and told to leave the building and not come back. "To date I have heard nothing. I don't have much hope of getting a pension," said Mrs Baker, who is nearing retirement and has an adult son dependent on her. "I have got another small job and I shall just have to keep working as long as I can."

Mrs Sheila Baker, a former AGB validation clerk with more than 10 years service, was also unlucky in her timing. She was due to retire in October but instead chose to work another two months to round out the year. Those extra two months may result in her losing her AGB pension.

The pension member's association also called for an inquiry into the role of the Investment Management Regulatory Organisation and in particular the fact that Imro had approved Bishopsgate Investment Management, the main Maxwell pension vehicle as recently as last autumn.

Mr John Breadmore, a former regular army officer who ran AGB's computer systems for 18 years before becoming a private financial planning consultant yesterday described Imro as "just a cardboard tank." He accused the organisation of spending the last five years honing its rules.

"They have not got the outlook of a forest ranger up a tower, sniffing the wind and looking for furry animals on the move," said Mr Breadmore, who is still receiving his AGB pension but is worried that this might not continue.

The pensioners are associating themselves with an early day motion supported by 88 MPs. The motion calls on the administrators of Maxwell Communication Corporation to put the interests of all the pension fund members before the interests of the general creditors on the grounds that "the members and pensioners and deferred pensioners of the corporation's pension funds are the innocent victims of the unauthorised transfer of pension fund assets".

In contrast, the motion says, the general creditors "knowingly and willingly" did business with MCC and took on the risks involved.

"We will seek to press the claims of the pension fund members ahead of the banks and other creditors," Mr Kirkham said.

Eurocamp in line with rise to £8m

By Michael Skapinker, Leisure Industries Correspondent

EUROCAMP, the camping holiday company which was floated last July, yesterday reported pro forma pre-tax profits of £8.16m for the year to end-October.

The figure, which compared with £5.66m previously, was struck on the back of a 5 per cent increase in turnover to £49m and after interest charges reduced from £2.06m to £470,000.

Operating profits of £8.63m compared with the £8.5m forecast at the time of flotation.

The directors said the Gulf war had hampered business. Total bookings of about 70,000 camping parties in 1991 were only slightly higher than in 1990.

The company reported large increases in its businesses on the continent with bookings from the Netherlands and Germany up some 20 per cent and 50 per cent respectively.

Bookings from the Netherlands accounted for 21 per cent of total business in unit terms, with those from Germany making up 14 per cent.

The dividend is the 5.5p forecast in the prospectus. Pro forma earnings per share were *21.1p (19.1p)*.

Mr Richard Atkinson, managing director, said Eurocamp's UK bookings up to the end of December last year were 15 per cent up on the same period in 1990.

Clarke Hooper starts to show improvement

By Gary Mead, Marketing Correspondent

CLARKE HOOPER, the international marketing services group, saw its pre-tax profits more than halve in the six months to October 31 1991, but improve over the the previous year's second half.

Profit came out at £820,000 (£1.73m), generated on turnover down £4m to £23.7m.

Mr Barry Clarke, chairman, said action had been taken to cut overheads by some £2m. The reduced cost base had helped to improve profitability substantially, the half year outcome comparing with £326,000 in the second part of last year.

"We are now in a better position to start integrating resources and have the opportunity to focus on the fixed costs of our business," he said. One cost-cutting measure was the integration of three Toronto offices into one unit.

Mr Clarke said it was decided to maintain the interim dividend at 1.7p but he remained cautious about prospects.

Earnings per share were cut to 2.8p (7.1p) in the period on capital increased by last June's placing and open offer.

The chairman reported that several parts of the group were currently "bucking the trend" of poor performance in the sector.

But he warned that 1992 was unlikely to see much improvement for the advertising and marketing businesses.

Novo well ahead at £523,000 but defers preference dividends

Novo Group, which has interests in radio and electronic capital goods and was formerly known as EMC Group, returned pre-tax profits of £529,485 for the six months to end-September.

The results, which follow the acquisition of Novo Communications in April last year, compare with £122,254 for the same period in 1990 after stripping out contributions from discontinued activities.

In the 18-month period to March 31 1991 pre-tax profits totalled £158,342.

First half earnings per share rose to 4.62p (1.17p) and directors said they expected another satisfactory performance in the second half.

However, to preserve cash flow pending the renegotiation of US banking facilities, dividends on the preference share capitals are being deferred. As a result, there is no interim on the ordinary capital – 0.3p was paid before.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AB Consultants ....int	2.2†	Apr 9	2.2	-	6.4
Assocd Nursing §......int	nil	-	1	-	1
Brandon Hire § ....int	0.1	Apr 24	1.11	-	3.33
Clarke Hooper § ....int	1.7†	Apr 6	1.7	-	4.4
Colefax & Fowler .....int	1.3	Apr 10	1.3	-	2.6
Electron House ....int	1	Apr 6	1	-	2.25
Eurocamp ....fin	5.5	Apr 21	-	5.5	-
Novo ....int	nil	-	0.3	-	1.3☆
Partridge Fine ....fin	1.25	Apr 23	1.85	2.25	3.85
Saville Gordon ....int	0.5	Apr 6	0.5	-	2.2
Shoprite ....fin	5.2†	Apr 14	5.2	5.2	5.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆For 18 months.

AB Consultants

The recession in the construction industry dominated the half year to October 31 at Associated British Consultants.

Pre-tax profit came to £327,000, a small improvement over the second half of the previous year, but a significant reduction on the £842,000 of the comparative 1990 period.

Net turnover fell to £4.57m (£5.99m). Earnings per share came to 2.7p (7p). The interim dividend is again 2.2p.

CU establishes joint venture in Poland

Commercial Union has become the first UK insurer to invest in eastern Europe, writes Richard Lapper.

It yesterday announced the formation of a joint venture with Wielkopolski Bank Kredytowy of Poland.

To date German, Italian and French insurers have been more active than their British counterparts in exploiting the opportunities emerging as a result of economic liberalisation in eastern Europe.

CU will set up joint ventures with WBK to market life and non-life products via the Poznan-based bank's 45 branches.

When operations begin in the autumn, the main emphasis will be on life business. Non-life activities will be mainly confined to relatively simple lines of household insurance.

CU's investment in the project is unlikely to exceed £10m – at least in the initial stages – and it has no plans at present to develop activities in other eastern European countries.

WBK, a state-owned commercial bank set up in 1989 and which will be privatised this year, manages about 350,000 accounts.

Partridge attributes setback to Gulf war

A marked reduction in visitors from the US in the aftermath of the Gulf war hit profits at Partridge Fine Arts, the New Bond Street-based antique furniture and objets d'art dealer.

American business reduced sharply over the 12 months to end-October and was "not yet showing signs of fully returning to previous levels", said Mr John Partridge, chairman.

Nevertheless, overall business improved during the second half with prices of furniture proving particularly strong.

Pre-tax profits dived 47 per cent to £2.16m (£4.11m) on turnover down some 27 per cent to £9.64m (£13.2m). Earnings per share declined to 6.54p (11.77p); the final dividend is cut to 1.25p (1.85p), reducing the total from 3.85p to 2.25p.

Imro failed to protect public - MPs told

By Norma Cohen, Investments Correspondent

INVESTMENT Management Regulatory Organisation, which oversees pension fund investment managers, has failed to protect the public, a group of Maxwell company pensioners told a Parliamentary select committee yesterday.

Mr Kenneth Trench, chairman of the Maxwell Private Companies Pension Fund Members Association told the Select Committee on Social Security that his group would like an investigation into the activities of Imro. It had authorised Bishopsgate Investment Management, which managed the Maxwell companies pension funds, and related companies under the Financial Services Act.

He cited press reports that Imro staff had reviewed the records of Bishopsgate just weeks before Mr Maxwell's death and had found nothing wrong. Investigators' efforts to trace missing assets have focused on funds missing from the investment managers.

"Whether or not Imro were negligent, it is clear that the authorisation system does not operate to protect the public," Mr Trench said, whose organisation has about 450 members.

"We would have been better off without the Financial Services Act," Mr Trench said. "At least before the FSA, the Department of Trade and Industry could have organised a compensation scheme."

The FSA gave a group of self-regulatory bodies, like Imro, the role of authorising firms to conduct financial business and overseeing their behaviour.

As a result of the collapse of the Maxwell pension funds, pension fund members "are on the precipice of poverty", Mr Trench said.

The pensioners told the Select Committee that existing pensions law had allowed Mr Maxwell to siphon off the pension fund surplus of every company he acquired. Mr Frank Field MP, chairman of the select committee, said: "In some cases, Mr Maxwell took out of the pension fund surpluses more than he actually paid for the entire company."

Mr Trench also recounted for the committee the strenuous efforts Mr Maxwell made to persuade pensioners to remain with the fund, rather than transfer out to a private scheme. Members of the private company pension schemes were treated to a video entitled "What's the Catch?" in which four young people discussed the merits of belonging to their employer's pension scheme.

Mr Trench said: "The best part is one young girl saying, 'Oh you don't understand pension funds. You think they are run by a lot of old wrinklies who will only invest in ICI and Abbey National.' How I wish we had those investments."

Labour accuses government of negligence

By Ralph Atkins

Labour yesterday accused the government of "culpable negligence" for not enacting social security regulations which it said could have helped pensioners hit by the collapse of the Maxwell empire.

Mr Michael Meacher, the party's social security spokesman, said parts of the 1990 Social Security Act, if implemented, would have saved many pensioners and employees by creating a debt on the employer when pension schemes are wound up.

Mr Tony Newton, social security secretary, last night rebuffed Labour's claims. "It is simply not the case that pensioners in these schemes will get nothing or be left penniless," he said.

"Under existing regulations if there are not sufficient assets to secure what are called Guaranteed Minimum Pensions, the equivalent of Serps (State Earnings-related Pensions Scheme) then those guaranteed minimum pensions can be, and would be, underwritten by the government."

Divisions among Maxwell pension fund managers

By Bronwen Maddox

LEADING City houses which managed some of the Maxwell companies' pension funds were divided last night on their ability to say whether the investments were still intact.

Imro, the investment industry watchdog, is attempting to find out whether the Maxwell pension funds managed by independent City bodies have been preserved.

One obstacle facing accountants and regulators who are trying to trace hundreds of millions of pounds plundered from the Maxwell companies' pension funds is that the location of some of the share certificates is unclear.

Most of the missing money was in the Common Investment Fund, a pooled fund of around £700m – most of the Maxwell pension money – which was managed by Bishopsgate Investment Management, a Maxwell-controlled company.

Much of its investments were taken to prop up Mr Maxwell's tottering private companies.

Accountants and regulators are now turning their attention to the investments that remained outside the CIF, managed by independent City advisers.

Most of the Mirror Group Newspapers pension money not in the CIF was managed by MIM, Lloyds Investment Management, Capel Cure Myers and Lazard Freres Investment Management.

Legal & General and Scottish Amicable looked after a small part of the AGB and Maxwell Communication Corporation funds.

A spokesman for Travis Smith Braithwaite, the solicitors acting for the trustees of the Mirror Group Pension Fund, said that "more than half" of the investments managed outside the CIF remained in place and that it was continuing to search for the balance.

Travis Smith declined to comment on which assets had been traced so far, and Imro declined to comment on individual members.

Liechtenstein deals boosted MCC profits

By Bronwen Maddox

Maxwell Communication Corporation's profits were "topped up by Maxwell-arranged deals with Liechtenstein trusts", Price Waterhouse said yesterday.

The accountancy firm's comments follow years of unease among City institutions about investing in MCC because of its reliance on property and foreign exchange deals as a source of profits.

Speaking from Singapore, Mr David Lee, the partner responsible for the investigation into fraud at MCC, said that uncovering the extent of these transactions would not be easy because it relied on getting information about half a dozen secretive Liechtenstein trusts and "stiftungs".

Coopers & Lybrand Deloitte, the accountancy firm which has audited the MCC accounts for many years, said last night: "There is nothing new about the source of these profits, or the transactions between MCC and the private Maxwell companies, which were shown in the MCC audited accounts."

UK COMPANY NEWS

Cost-cutting helps Electron House improve to £0.6m

By Andrew Bolger

ELECTRON HOUSE, the electronic component distributor, reported an increase in pre-tax profits from £219,000 to £596,000 on flat sales of £60.1m, against £60.5m, in the six months to November 30 1991.

Mr Robert Leigh, chairman, said overheads had been cut by 6 per cent in the face of continued adverse market conditions, particularly in the computer industry. The number of employees had fallen from 550 to 480 in the past year.

He said: "A recent strengthening in order receipts has only marginally exceeded the weakness experienced in the summer and early autumn. The argument that there is evidence of a sustainable upturn is, therefore, unconvincing."

In view of this economic climate, the rise in profits did no more than justify maintaining the interim dividend at 1p. Earnings per share rose to 1.68p (0.19p).

Control of working capital and lower base rates cut interest payments from £1.62m to £1.17m. Gearing, including off-balance sheet debt, was unchanged at 120 per cent.

Costs had been reduced in the computer hardware distribution business, in which the dominant product was printers, and profitability increased. Nevertheless, margins had been tight because of intense competition and weakness in demand.

The computer systems companies performed well in some areas and poorly in others. Success was achieved in certain niche markets, on which the group intended to build.

UK component companies remaining in the group produced slightly lower profits on marginally increased sales, the main losses being in businesses from which the group withdrew last year.

Electron sold Kelvin Impex, the agency company, to its management earlier this month. Because of new accountancy guidelines, it will be obliged to write off an extraordinary £1m of goodwill on acquisition which was previously written off to reserves.

Mr Leigh said this write off would have no effect on earnings per share in the full-year results.

See Lex

Colefax and Fowler dips as US margins suffer

By Michiyo Nakamoto

CONTINUING sluggish retail demand in the UK and a weak dollar kept first half profits depressed at Colefax and Fowler Group, the wallpaper, furnishings and fabric company.

Pre-tax profits in the six months to October 31 1991 fell from £815,000 to £505,000 in spite of turnover marginally ahead from £14.4m to £14.8m.

Mr David Green, chief executive, said margins had been particularly affected in the US as a result of the weak dollar as most product was shipped from Europe.

"We're not much of a price sensitive product but we decided to be reasonable rather than greedy so that hurt margins a bit," he said.

The group has not seen any signs of improvement in its principal markets and does not expect to see a marked improvement in the near future.

Nevertheless, it maintained the interim dividend at 1.3p on earnings per share down from 2.36p to 2p.

"One wants to give out a degree of confidence," Mr Green said.

Efforts were being concentrated on cutting costs, although as Colefax was a service company it was not able to cut employee levels dramatically.

Instead, it was focusing on tightening general controls such as stock controls and debtor controls, Mr Green said.

Saville Gordon returns to the black

By Jane Fuller

J SAVILLE Gordon Group, the property, pipeline and securities trading concern, staged a recovery in the half year to end-October, reporting pre-tax profits of £1.35m.

The outcome compared with losses of £2.43m last time following writedowns in the share portfolio and a slump in property dealing.

The main turnround came in the securities trading division, which made profits of £240,000 (losses of £3.38m). Turnover improved to £15.2m (£3.87m).

Mr Terry Hutchinson, finance director, said the division would benefit in the second half from BM Group's takeover of Thomas Robinson, the engineering company in which Saville Gordon holds about 7m shares.

The first half of last year had been "particularly unpleasant" for the securities division. This time there had been more activity and £5m of shares had been sold as the portfolio was run down.

This had helped to reduce debt to about £38m from its year-end level of nearly £48m, when gearing was more than 90 per cent.

The main profit contributor was property investment at £2.75m (£2.76m). This was virtually all rental income, with dealing adding only "peanuts", according to Mr Hutchinson.

Pipeline equipment and stockholding, reflecting the group's roots in scrap metal and merchanting, was bogged down in the UK recession and saw profits fall to £636,000 (£956,000) on reduced turnover of £10.2m (£12.2m).

Earnings per share amounted to 0.9p (losses of 1.54p). The interim dividend is maintained at 0.5p.

Jacobs confirms disposal talks

John I Jacobs, the shipowner and shipbroker, has confirmed that it is in discussions which could lead to the sale of a part of the group.

The statement was made because of recent movements in the share price. Yesterday, the shares fell 4p to 28p.

Wrists slapped after accused found guilty as charged

Andrew Jack on the first actions of a new City watchdog

THE DIRECTORS of Ultramar and Williams Holdings were rubbing their reddened wrists yesterday as the recipients of the first publicly administered slaps from the Financial Reporting Review Panel, the policing arm of the Financial Reporting Council.

Both companies had been found guilty of breaches of accounting standards, exposed in statements released to the Stock Exchange in the morning.

Each accepted the charges – albeit somewhat grudgingly – and promised not to transgress again.

Ultramar, the oil and gas group, and Williams Holdings, the industrial conglomerate, suffered a little negative publicity as a result. In addition, Williams suffered the indignity of its share price dropping 20p in the morning after the announcement was released to the stock market, before recovering slightly to close down 11p at 312p.

Ultramar contravened SSAP 8, a UK accounting standard dealing with taxation, in its treatment of advance corporation tax (ACT).

By treating ACT as a cost of dividends rather than a tax charge on operating profits (as the standard lays down), it reduced the tax charge by £12.3m. That had the effect of increasing earnings per share to 32.2p. Under the advised SSAP treatment, the eps figure would have been 28.9p.

The approach adopted, which the company has practised over many years, was highlighted in the notes to the accounts. The alternative earnings figures were also given, printed on the same page as the consolidated profit and loss account.

Ultramar argues that since most of its income comes from overseas, there is very little UK tax charge against which to offset ACT, and adding it into the tax charge therefore unfairly distorts the earnings figure.

"We're all in favour of improving financial reporting, but the only problem is that standardisation doesn't always work," said a senior executive in the company who was involved in negotiations with the review panel.

John Darby, the then chairman of Ultramar, and Nigel Rudd, the Williams chairman: accepted the charges

Williams Holdings broke with the guidance given under SSAP 3, which deals in part with earnings per share. It treated a series of exceptional items on asset disposals and reorganisations as post-tax – a treatment permissible under the standard only for extraordinary items.

As a result, the company's earnings per share stood at 22.3p, compared with 21.2p using the SSAP treatment. Again, the alternative treatment was flagged in the accounts, and the recalculated earnings per share figures were published.

Ultramar is no longer in a position to make amends directly. It was subsumed by Lasmo, the UK oil exploration company, in a close-run £1.2bn takeover bid concluded in December. As a result, it will not be publishing 1991 accounts as a separate entity.

The directors of Williams Holdings, the industrial conglomerate, have already given a written undertaking to the panel that its practices in the forthcoming 1991 report will comply fully with accounting regulations.

Beyond the two companies, the spotlight is now likely to be trained on the auditors to both companies. Ernst & Young, auditor to Ultramar, covered themselves with a "qualified" audit report in the 1990 accounts. The letter signing off the accounts explicitly highlights the treatment of ACT and stresses that it does not comply with SSAP 8.

However, in the case of Pannell Kerr Forster (PKF), auditor to Williams Holdings, there is no such statement. The letter in the 1990 accounts resembles the typical standard one issued to unqualified accounts. It states: "In our opinion the accounts give a true and fair view ... and have been properly prepared in accordance with the Companies Act 1985".

Mr Richard Pearson, chairman of PKF, said last night: "In view of the disclosures made by Williams in last year's accounts we did not consider that these particular circumstances warranted further mention in our audit report."

However, two parties have emerged contented from yesterday's events. The Accounting Standards Board, can take comfort from a minor victory in its campaign to boost the quality of financial reporting.

Its sister body, the review panel, can breathe a sigh of relief that its first reprimands have worked well. The companies have accepted its edicts, and have not threatened to challenge its decisions in the courts.

NEWS DIGEST

ANS makes £0.71m and seeks funds

ASSOCIATED Nursing Homes reported a substantial half-year profit and directors are looking for a return to sustained profits and want to strengthen the balance sheet and lay foundations for further growth.

Therefore, they proposed a placing and open offer of 5.48m shares to raise £6.27m net, for reducing borrowings and for working capital. The placing will be with institutions and shareholders can clawback on a 1-for-1 basis at 120p per share.

Yesterday, the share price rose 42p to 148p.

Mr Robert Upsdell, chairman, said following the problems of the 1990-91 year, when a loss of £2.07m was incurred, the 28 weeks to October 12 1991 showed pre-tax profits of £705,000, compared with £421,000.

Earnings per share rose to 12.8p (7.7p) but there is no interim dividend, compared with 1p and no final last time.

Borrowings were being reduced and were anticipated to fall further in the coming months following asset sales. Expenditure was planned to increase the capacity of two homes and the option will be taken by March 2 to buy Gazedown, which runs the Greengables Nursing Home, for £690,000 and assume its debt.

With the placing, 547,765 warrants will be issued on a 1-for-10 basis entitling shareholders to subscribe for shares at 175p each any time prior to September 30 1993.

Ladbroke sells stake in Berlin Hilton

Hilton International, a subsidiary of Ladbroke Group, has sold a 60 per cent stake in the Berlin Hilton, formerly the Dom Hotel in east Berlin.

Ladbroke, which bought the hotel last month, refused to name the buyer. It said, however, that it was a non-UK company. Ladbroke is thought to have paid £100m for the hotel and is believed to have sold the 60 per cent stake for £60m.

Brandon Hire warns of second half loss

The shares of USM-quoted Brandon Hire slipped 4p to 34p yesterday on news of a fall from £354,000 to £23,000 in pre-tax profits for the six months to October 31. Turnover fell by 21 per cent to £2.19m.

The second half is traditionally less profitable and directors said a loss for the period was likely.

In order to preserve cash within the business they are cutting the interim dividend from 1.11p to a nominal 0.1p. Earnings fell by 2.07p to 0.28p.

Cost controls enabled Brandon to reduce first half borrowings by 15 per cent and gearing by 7 per cent to 38 per cent.

The group's principal activity is the hire of power and other tools and equipment.

Lack of property sales hits Etonbrook

For the six months to September 30 Etonbrook Properties achieved pre-tax profits of £300,366. That compared with £1.52m after property sales of £11.8m.

Turnover for the period comprised only rental income. There were no property sales this time.

Mr Jonathan Harris, chairman, said that a liquidator had been appointed to one of its tenants which would result in a loss of some £58,000 in rental income in the second half, although he added that a new tenant was being sought. Total rental income for the first half amounted to £317,453 (£342,488).

Earnings fell from 30.1p to 4.5p. There is no dividend.

Canadian purchase by Willis Corroon

Willis Corroon Group, the insurance broker, continued its international development with the acquisition of Richards Mellings, one of the largest insurance broking groups in Canada, for £8.3m.

The purchase price will be met by C$14.7m (£7m) cash, and by the issue of 371,886 class A preferred and 191,694 class B preferred shares in the group's Canadian holding company. Richards generated revenues of C$16.5m in 1991.

Genesis Chile moves to counter discount

Genesis Chile Fund is making a scrip and warrant issue in an attempt to improve the discount of its share price to net asset value – 22 per cent as at January 15.

Directors believe the issues will increase the total value of shareholders' investments in the fund relative to the underlying net asset value.

Holders of participating shares will receive a 1-for-4 scrip and warrants on a 1-for-5 basis, carrying a subscription price of $16. If the warrants are exercised in full the fund would receive net proceeds of $26.2m (£14.4m).

Directors are also proposing to amend the fund's articles to remove the present restrictions on investment in certain types of open and closed ended investment vehicles in Chile.

GT Japan net asset value drops 21%

Over the six months to December 31 net asset value of GT Japan Investment Trust fell by 21 per cent, from 235.4p to 185.6p.

The value at end-December 1990 was also 185.6p.

In the latest half year gross income totalled £697,000 (£529,000) and earnings per share came to 0.44p (0.43p).

The interim dividend is again 0.4p.

Expansion leaves Shoprite lower

Expansion into Scotland left Shoprite Group's profits lower at £1.11m pre-tax, against £2.25m, for the year to October 27.

Turnover at this Isle of Man-based grocery and vehicle retailer and property company rose from £31m to £45.4m.

During the period 11 discount supermarkets and a distribution centre were opened. However, the opening programme was delayed and income was insufficient to cover overheads until the end of the year.

The openings were financed by the £3.9m placing and open offer in June and asset disposals. Gearing at the year end was 45 per cent.

There was an exceptional profit of £345,000, being the surplus on property disposals less pre-opening expenses. Interest charges increased to £1.29m (£942,000).

The proposed single final dividend is maintained at 5.2p from earnings per share of 8.7p (16.4p).

Usher-Walker raises £6m for purchases

Usher-Walker is paying a total of £4.7m cash for two printing industry supplies companies and raising about £6m through a placing and open offer.

The printing inks group also warned that a write-off following the reassessment of stock values, the cost of reorganisations, spending incurred in its development strategy and a disappointing last quarter would have a significant impact on its results for 1991.

However, it expects to pay a final dividend of at least 3.75p, unchanged from the adjusted final last time.

Usher is paying £3.82m for Hydro Dynamic Products from the administrative receivers of Stormgard and FFr7.72m (£789,000) for 90 per cent of Graph Imprim. It is also providing FFr700,000 to acquire the formulae for products Graph makes and has an option to acquire the other 10 per cent.

HDP reported pre-tax profits of £819,000 in the year to March 31 1991 at which date it had net tangible assets of £814,000. In the same period Graph had pre-tax profits of FFr2.19m and year-end net tangible assets of FFr2.01m.

A total of 4.38m shares are being placed at 155p and are being offered to existing shareholders on a 1-for-1 basis. The cash realised will be used for the acquisitions and to reduce borrowings.

Usher-Walker shares yesterday closed at 165p, down 6p.

Louis Newmark cuts loss to £187,000

The improving trend continued at Louis Newmark, the precision engineer and watch distributor, with interim pre-tax losses cut from £526,000 to £187,000.

Turnover for the half year to September 28 was lower at £12.2m (£20.2m), the result of the sale of the McMurdo reserve battery business and the termination of the Swatch agency. Adjusting for these, manufacturing turnover rose by 5 per cent and there was a 33 per cent fall in watch merchandising.

Losses per share came out at 6.3p (11.5p).

Murray Smaller Markets lower

Substantial exposure to the Far East, one of the better performing areas of its portfolio, helped limit the decline in net asset value at Murray Smaller Markets Trust.

The figure of 271.2p per share at November 30 reflected a fall of just 1.7 per cent over the six months since the trust's year end in May. It compared with a drop over the same period of 6.4 per cent for the FT-Actuaries World Index.

Net revenue rose to £1.34m (£1.2m) for earnings of 2.39p (2.14p) per share.

An interim dividend of 1.25p was paid earlier this month.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Adscene, Farepak, Huntingdon Intl, Jupiter European Inv Tst, Smith (WH).
Finals- Allied Textile, Gardiner.

FUTURE DATES

Interim-	
West Trust	Feb. 3
Finals-	
Caplis	Feb. 24
Cowie (T)	Mar. 3
Embassy Property	Jan. 31

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 28.01.92: Pool purchase price £/MWh	Final Prices for Trading on 27.01.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.10	17.15	17.15
0100	17.20	21.51	23.19
0130	17.22	21.51	23.18
0200	17.69	21.51	23.16
0230	17.20	20.90	22.61
0300	17.19	19.91	21.61
0330	17.16	18.49	20.04
0400	17.16	18.04	19.59
0430	17.14	17.91	19.46
0500	17.14	17.09	17.09
0530	17.10	17.02	17.02
0600	17.19	17.00	17.00
0630	17.19	17.00	17.00
0700	17.47	17.00	17.00
0730	20.43	17.00	17.00
0800	22.76	16.97	16.97
0830	23.01	16.95	16.95
0900	23.61	17.01	17.01
0930	24.07	17.01	17.01
1000	24.39	17.08	17.08
1030	24.14	17.09	17.09
1100	23.83	18.42	20.02
1130	23.73	18.68	20.28
1200	23.54	18.68	20.28
1230	23.16	18.68	20.28
1300	21.62	18.68	20.27
1330	21.00	18.68	20.26
1400	20.60	18.48	20.06
1430	19.08	18.48	20.07
1500	19.05	18.48	20.06
1530	17.88	18.68	20.27
1600	19.08	18.73	20.32
1630	21.69	19.52	21.14
1700	80.11	22.56	24.28
1730	78.10	23.00	24.73
1800	77.78	23.00	24.73
1830	48.34	22.55	24.27
1900	27.73	20.71	22.38
1930	25.63	20.28	21.90
2000	22.29	20.28	21.89
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

EC ministers lack conviction on CAP reform

By David Gardner in Brussels

EUROPEAN COMMUNITY agriculture ministers yesterday agreed to continue with their year-old negotiations to reform the Common Agricultural Policy, but without any conviction that firm decisions could be reached before the dispute over farm subsidies within the Uruguay Round world trade talks is settled.

The current Portuguese presidency of the EC presented a compromise "working paper" which was vague enough not to give great offence to any of the 12, but concrete enough for most member states to feel they had "something to nibble at", as a senior European Commission official put it.

Thus, the Brussels blueprint for overhauling the CAP has been kept in play, and Mr Arlindo Cunha, the Portuguese farm minister, has undertaken to produce a more detailed synthesis of amendments each of the 12 are seeking next month.

Arthur Dunkel: Due in Brussels today to hear the EC's point of view

"There is forward movement," the Brussels official said, "but it is very difficult to ask them to commit themselves before they can see what is happening in Gatt," the General Agreement on Tariffs and Trade conducting the Uruguay Round.

Mr Arthur Dunkel, the director general of the Gatt who drafted the agriculture chapter of the Round's conclusions which the EC is trying to renegotiate, is in Brussels here today to hear the community's point of view. But all the indications from yesterday's farm council were that it has yet to settle on a unified position.

There is a fragile majority of 8:4 in favour of pressing on with plans to cut CAP price support and replace it with direct compensation to farmers, decoupled as far as possible from the surpluses they produce, which pile up in expensive stockpiles and get dumped on world markets. The Danes, British, Dutch and Irish take the view that a Gatt deal must come first.

But there is a more even split among member states over what needs to be changed in Mr Dunkel's "final act" paper, aimed at concluding the Uruguay Round by Easter.

Five countries – the UK, France, Denmark, the Netherlands and Belgium – want priority to be given to renegotiating the Gatt prescription that the volume of subsidised exports must be reduced by 24 per cent over the next six years. This is in addition to a 36 per cent cut in export subsidies over the same period, and is regarded as an unacceptable attempt to restrain trade.

The other seven adhere to the position defended by Mr Ray MacSharry, EC farm commissioner, that the priority is to get the direct compensation to farmers categorised as a subsidy which does not distort trade. Mr MacSharry believes that only if the compensation is accepted as permanent – like the price support mechanism now – will it be politically saleable to all member states and the EC's 9m farmers.

Neither camp looks as though it can secure a Gatt breakthrough, much less when the EC is not presenting a united front. Mr Dunkel, the US, and the Cairns Group of 14 agri-exporters led by Australia appear equally firm on both points – but if anything marginally more so on the need to cut the volume of EC subsidised exports.

There are four meetings of EC agriculture ministers scheduled between now and the Gatt deadline, and little prospect that this division of opinion will change without intervention at a higher political level.

Producers and traders welcome milk board plan

David Blackwell on the monopoly buyer's first step along the road to becoming a co-operative

AFTER TWO years of debate the UK Milk Marketing Board has this week taken the first step along the road to becoming a voluntary co-operative, ending nearly 60 years of a statutory monopoly on milk supplies.

The plans have been welcomed by both the Dairy Trade Federation, which represents dairies and processors, and the National Farmers' Union. Both organisations, however, were quick to point out that there was a still a very long way to travel.

The MMB's reluctance to reform itself was underlined by Mr Bob Stevens, chairman, who prefixed the announcement of the changes on Monday by saying that the board would have preferred to maintain the old scheme, amended within a European context.

But the pressure on the MMB has been steady, unrelenting, and from all quarters – the dairy industry itself, the UK agriculture ministry and the European Commission included. Signs that things were at last beginning to move emerged late last year with the threat of a European Court action over the board's insistence that it held the right to buy and sell low fat, or skimmed, milk. The board legally holds the right of first refusal on all liquid or whole milk produced in the UK. But farmers and dairies were circumventing the scheme by tapping into the demand for skimmed and semi-skimmed milk, which has grown to take about one third of the UK market.

While Mr John Gummer, minister of agriculture, rejected the European Commission's "reasoned opinion" against the board, he made it clear that he was only doing so in order that the board would negotiate with the DTF reforms to the whole milk marketing system.

In November Mr Charles Runge, chief executive, resigned, complaining that the pace of change had been too slow. This was quickly followed by the surprise appointment of Mr Andrew Dare, a former president of the DTF, as a special adviser to the board. Mr Dare is seen as the man who facilitated the co-operative plan.

The board's proposal to become a single voluntary co-operative with pooled prices has hardly come as a surprise. The crucial change in thinking has been the decision to hive off Dairy Crest, the wholly owned subsidiary with a 25 per cent stake in the UK's manufactured dairy product market. Shares in the company, thought to be worth about £300m, will be issued to milk producers on the basis of milk supplied over a given period in the past.

Mr Dare said that the shares would be tradeable among dairy farmers, but he stressed that full details of the share issue had not yet been worked out.

The plan will put Dairy Crest on an equal footing with its competitors, appeasing the main objection of the Dairy Trade Federation. "The trade don't like the milk board owning a dairy company – they think it's getting all sorts of favours," Mr Mark Thomas of the NFU diary committee said yesterday.

However, industry analysts point out that the statutory monopoly enjoyed by the dairy farmers, who have been guaranteed a buyer for all the milk they produced, has also been cushioning the dairy trade. The trade has always been able to get its milk, and always at the same price as any competitor. While the MMB has acted as a shield to the milk producers, it has also prevented them from setting up their own processing arrangements to compete with the big dairies.

The MMB has sent letters to its 30,000 dairy farmers who will have to vote on the proposals. But it is thought that the great majority of them will back the plan and join the new co-op.

"We would like to see a large take up," said Mr Thomas, pointing out that the suppliers needed the muscle of size in an industry that featured four major dairy companies supplying half a dozen large supermarkets. Even big dairy farms with 300 cows or more would find themselves very exposed if linked to a supermarket purchasing contract, he said.

Industry observers also believe that the conservative instincts of most dairy farmers will keep them in the co-operative. "Milk is a fresh product," said one. "The farmers are used to someone picking it up and sending a cheque at the end of the month. Initially you will only find the more commercially minded and ambitious staying out."

The board is proposing that milk prices will be set by "an industry-agreed pricing system to be discussed with the dairy trade, Maff [the agriculture ministry] and the European Commission." Such a system would very likely be similar to the board's "New Ways of Buying Milk," scheduled to start from April 1 this year. Milk, which has been priced high for liquid consumption and low for cheese making, will then be priced according to its supply profile, with a premium being charged for regular deliveries.

This will get rid of the MMB's much criticised present pricing system under which 24 different levels are set according to the use to which the milk is put.

At the same time further rationalisation is expected in Dairy Crest's butter and cheese production plants, which have undergone two retrenchments already but are still working well below capacity.

The Ministry of Agriculture yesterday repeated its position that it wants detailed proposals from the MMB by Easter. Once past the ministry the proposals will go before the European Commission. Mr Dare said that whoever won the coming election would be unlikely to find time in the legislative timetable until "the back end of this year at the earliest".

Once the co-op was established it would not last unless it was efficient and flexible in responding to the market, he said. "There is no hiding place."

Uganda's biological cobalt project

By Kenneth Gooding, Mining Correspondent

UGANDA WILL become a substantial cobalt producer, contributing about 5 per cent of western world output, if the government supports a $54m project proposed by BRGM, the state-owned French mining group, and Barclays Metals, the metals trading subsidiary of Barclays Bank of the UK.

It would also be the first time that *thiobacillus ferro-oxidans*, the naturally-occuring bacteria that is being used by some copper, gold and uranium miners to liberate their metals from ore, would be employed in cobalt production.

For the partners claim that bioleaching is not only the least costly way of extracting Uganda's cobalt, it is also the most environment-friendly method.

They suggest they can produce 1,000 tonnes a year which would be profitable with the cobalt price at its long-term historic average of $10 to $12 a lb.

Environmental issues are important because Uganda's cobalt is in 1.1m tonnes of pyrites stockpiled at the old Kilembe copper mine on the edge of the Queen Elizabeth National Park in south-west Uganda.

Copper production at Kilembe stopped in 1972 since when various methods to recover the cobalt have been looked at and found to be either too expensive or too polluting.

BRGM (Bureau de Recherches Géologiques et Minières) has been developing the proposed bioleaching process over several years. There have been "excellent" recovery rates under pilot test conditions, according to Barclays Metals, formerly known as Deak International Trading, which was acquired by the UK bank 18 months ago.

Barclays Metals said yesterday that, together with BRGM, it was ready to sign a joint venture with the Ugandan government to carry out a $4m feasibility study which should lead to the construction of a $50m bioleaching plant at Kilembe.

Negotiations about finance were well advanced with a number of agencies.

It would take about two and a half years from the time the go-ahead was given for the feasibility study to move into full production, said Barclays Metals. The Ugandan government would own 45 per cent of the project with BRGM, the technical agent, and Barclays, the marketing agent, each owning 27½ per cent.

Ironically, the present high cost of cobalt, an essential metal in some of the superalloys used by the aerospace industry and for some motor industry products, is causing some delays to the project. Cobalt has more than doubled in price in the past few months because of production problems and potential political upheavals in Zaire and Zambia, which between them account for about 70 per cent of cobalt production outside the former eastern bloc countries.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,250	to 1,049,100
Copper	−2,375	to 313,300
Lead	+625	to 128,150
Nickel	+876	to 17,400
Zinc	+4,925	to 167,500
Tin	−185	to 13,725

Soviet oil production forecast to fall by 13%

By Deborah Hargreaves

OIL PRODUCTION from the former Soviet Union could fall to 400m tonnes this year from 460m tonnes last year, Mr Viktor Lopukhin, Russia's minister for energy and fuels, told a London conference yesterday.

But the minister was hopeful of restoring output to its level of two to three years' ago by the middle of the decade. The Commonwealth of Independent States produced 568m tonnes of oil in 1988 before output started to decline rapidly.

Mr Lopukhin was speaking at a conference on "Opening up the Russian Oil Industry," jointly organised by the Royal Institute for International Affairs and the Centre for Foreign Investment and Privatisation.

The economic reforms initiated by the government of Mr Boris Yeltsin, Russian president, have barely touched the oil industry yet. The government has partly freed oil prices so that, in stages, they can rise to free market levels, Mr Lopukhin said. But it will be at least another two years before the sector becomes self-financing.

The state price for oil has risen from R70 to R350 a tonne. But western critics say that price caps in place for oil mean that, as the general rate of inflation increases, real oil prices will remain low and will not be high enough to discourage wastage.

Mr Lopukhin said his ministry was commited to minimising the risks for foreign investors in the Russian oil industry. On February 6, the state legislature will debate a Bill that will put in place a legal framework for foreign investment. He said the passage of the Bill would not be easy, but expected legislation to be in place in a matter of weeks rather than months.

Russia needs foreign help to kick-start its ailing oil industry. If all the oil wells that are currently out of operation could be started up again, output would rise by an estimated 24m tonnes a year.

The republic also intends to initiate a programme of privatisation based on the creation of several vertically-integrated oil companies around which smaller companies could be set up to create competition, Mr Lopukhin explained.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,720 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.15-1.35 (1.20-1.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 30.00-31.50 (32.00-33.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-130 (120-135).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.30-2.33 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

Missing prices

Chicago and New York commodity prices were missing from yesterday's first edition because of a system breakdown at Reuters which was not corrected until after the first edition deadline.

Argentine grain board forecasts sharp cut in wheat crop

By John Barham in Buenos Aires

ARGENTINA WILL see a sharp reduction in wheat production this year, but higher world prices and better yields should improve revenues for the country's hard-pressed farmers, according to government and private forecasters.

The wheat crop should fall by about 16 per cent to 9.4m tonnes, according to the latest forecasts from the government's National Grain Board. Cargill, the US grain trader, forecasts a 24 per cent drop in the area planted with wheat to 4.7m hectares, and expects output to fall to 9.2m tonnes.

None the less, Ms Marichela Gey, head trader at Cargill's Buenos Aires office, said yesterday that improving yields had compensated for the decline in the area planted. Yields had increased strongly in southern Buenos Aires province, thanks to good weather and greater use of fertilisers while rising yields there helped offset the impact of bad weather in other regions of the Pampas, boosting the average national yield to 2.04 tonnes per hectare. Last year the yield was 1.97 tonnes a hectare.

Argentina is expected to export between 4.5m and 4.7m tonnes of wheat this year, compared with 5.2m tonnes in the first ten months of 1991, the latest period for which official figures are available. But revenues for the whole year should rise to about US$550m, from $486m in the ten months to October 1991. Prices last year began recovering after plunging in 1990 in response to subsidised exports from the European Community and the US.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel retreated further on the LME yesterday as the market continued to stage a downward correction to recent strong gains. Dealers said the absence of recent influential buying contributed to the downtrend, while negative fundamental factors also weighed on sentiment. LME stocks rose 876 tonnes to 17,400 tonnes, the highest level since September 1984, reflecting arrivals of Russian metal, and more shipments are said to be en-route. There are also increasing prospects of a German steel-workers strike, which will reduce offtake by stainless-steel mills. London robusta coffee prices closed lower, while New York arabicas were down at midday after setting lifetime lows. "We are in a steady downtrend right now and the market is awaiting the outcome of the ICO meeting next week," he said. Meanwhile Brazil's National Economy Secretary Dorothea Werneck said the country would not be taking any firm proposals to next week's ICO working group meeting in London. New York cotton prices were lower at midday after scoring lifetime lows for the second straight session. Abundant world supplies, declining consumption and bearish sentiment will continue to pressure prices, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.35-5.45q	-0.05
Brent Blend (dated)	$16.36-6.45	-0.15
Brent Blend (Mar)	$18.15-8.25	-0.10
W.T.I. (1 pm est)	$19.15-9.25q	-.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-202	-½
Gas Oil	$178-179	-4
Heavy Fuel Oil	$62-64	
Naphtha	$180-181	-2½
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$356.05	-0.10
Silver (per troy oz)♣	419.5c	+1.5
Platinum (per troy oz)	$352.85	+1.60
Palladium (per troy oz)	$87.65	+2.15
Copper (US Producer)	101.95c	-0.22
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.20r	
Tin (New York)	253.0c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.86	+1.71*
Sheep (live weight)†♣	107.96p	+8.38*
Pigs (live weight)†	80.54p	+7.47*
London daily sugar (raw)	$211.4y	-2.0
London daily sugar (white)	$272.0y	-0.4
Tate and Lyle export price	£225.5	-1.5
Barley (English feed)	£123z	
Maize (US No. 3 yellow)	£147z	
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	51.25p	
Rubber (Apr)♥	51.50p	
Rubber (KL RSS No 1 Feb)	215.0m	+1.0
Coconut oil (Philippines)§	$760y	
Palm Oil (Malaysian)§	$390z	
Copra (Philippines)§	$497.5t	-2.5
Soyabeans (US)	£148.5	+0.5
Cotton "A" Index	57.30c	
Wooltops (64s Super)	411p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	183.40	188.00	188.60	183.00
May	183.40	188.20	187.00	182.00
Aug	185.80	189.80	187.60	187.00
Oct	187.20		189.00	
Mar	182.60	187.40	184.00	183.00
White	**Close**	**Previous**	**High/Low**	
Mar	265.5	269.5	269.5	264.0
May	268.9	272.5	271.2	267.8
Aug	272.4	274.7	273.5	271.6
Oct	261.0		262.5	260.5
Dec	262.2	264.5	262.5	
Mar	263.0		264.2	

Turnover: Raw 675 (427) lots of 50 tonnes. White 1649 (2126)
Paris- White (FFr per tonne): Mar 1442.57, May 1476.28

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Mar	18.24	18.44	18.38	18.14
Apr	18.13	18.27	18.23	18.05
May	18.05	18.15	18.14	17.97
Jun	18.00	18.10	18.07	18.00
Jul	17.95	18.08	18.10	17.95
Aug	18.00		18.00	
Sep	18.05		18.05	
Oct	18.15		18.00	
IPE Index	18.33	18.11		

Turnover 18000 (17973)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Feb	173.50	176.50	178.25	173.00
Mar	171.50	172.75	174.25	171.00
Apr	168.25	169.00	170.75	168.00
May	166.00	168.25	168.25	166.00
Jun	167.00	166.25	168.00	167.00
Jul	168.50	167.50	168.50	167.00
Aug	170.00	169.50	170.00	169.00
Sep	171.50	171.50	172.50	171.00
Oct	174.00	173.50	174.00	

Turnover 12801 (13088) lots of 100 tonnes

COTTON
Liverpool-Spot and shipment sales for the week ended January 24 amounted to 436 tonnes, compared with 20 tonnes in the previous week. Improved demand brought moderate purchases mainly in Pakistani, American and West African descriptions. Syrian growths made some headway.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	720	729	727	718
May	748	759	754	746
Jul	775	786	780	774
Sep	798	810	804	797
Dec	829	842	835	828
Mar	859	873	865	858
May	877		878	876
Jul	895		894	
Sep	912		913	911
Dec	936		939	937

Turnover: 5852 (2734) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.27 906.16 (920.63) 10 day average for Jan.28 913.07 (912.97)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	971	980	977	970
Mar	970	981	980	968
May	961	968	969	960
Jul	976	986	982	973
Sep	992	1002	997	992

Turnover:1239 (1016) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan. 27: Comp. daily 59.83 (60.14) 15 day average 61.88 (62.00)
Sterling close: January £549 , March £551

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	118.3	118.5	118.8	117.3
May	137.3	138.0	137.5	136.5

Turnover 69 (126) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	129.50		129.50

Turnover 25 (-) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jan	1461	1480	1468	1461
Feb	1460	1505	1491	1460-
Mar	1492	1528	1516	1487
Apr	1503	1530	1520	1503
Jul	1289	1325	1305	1290
BFI	1468	1483		

Turnover 292 (271)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	127.20	127.40	127.15	127.00
May	130.65	131.10	130.85	130.50
Sep	112.25	112.25	112.25	
Nov	115.70	115.85	115.75	
Barley	**Close**	**Previous**	**High/Low**	
Mar	119.50	119.65		

Turnover: Wheat 173 (50), Barley 0 (2).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	110.5	110.5	110.5	110.0
Feb	119.0	117.5	118.0	117.0
Mar	116.5	117.0	116.5	
Apr	115.9	116.0	116.0	
May	115.5	116.5	115.5	
Jun	114.5		113.0	
Jul	110.0		110.0	

Turnover;140 (104) lots of 3,250 kg

NGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	136.14	136.86			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,025 lots
Cash	1273.5-4.5	1267-8	1251/1251	1250.5-1.5		
3 months	1298-9	1291-2	1308/1274	1278.5-7.0	1289-91	133,740 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,493 lots
Cash	1214.5-5.5	1226.5-7.5	1220/1211.5	1212-2.5		
3 months	1242-3	1254-4.5	1249/1239.5	1240-0.5	1239-40	116,522 lots
Lead (£ per tonne)						Total daily turnover 1,400 lots
Cash	281.75-2.25	280-1	282	281-75-2.00		
3 months	293.75-4.00	292-2.5	294.5/293	293.75-4.25	293-3.5	37,767 lots
Nickel ($ per tonne)						Total daily turnover 3,050 lots
Cash	7615-25	7755-65		7650-60		
3 months	7700-10	7835-40	7775/7690	7730-35	7708-10	21,084 lots
Tin ($ per tonne)						Total daily turnover 757 lots
Cash	5460-5	5425-35	5457/5456	5457-8		
3 months	5520-5	5485-95	5625/5500	5515-6	5515-20	5,117 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,856 lots
Cash	1181-3	1178-9	1169/1169	1168-9		
3 months	1169-70	1164-5	1170/1152	1157-8	1165-6	43,292 lots

LME Closing £/$ rate:
SPOT: 1.7970 3 months: 1.7737 6 months: 1.7495 9 months: 1.7264

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.90-356.20	
Opening	356.00-356.40	
Morning fix	356.30	199.72
Afternoon fix	356.30	198.496
Day's high	356.70-357.00	
Day's low	355.60-356.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.31	6 months	3.28
2 months	3.30	12 months	3.27
3 months	3.30		

Silver fix	p/fine oz	US cts equiv
Spot	235.50	420.35
3 months	241.60	424.65
6 months	247.40	428.91
12 months	258.85	438.45

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.25-357.25	198.50-199.00
Maple leaf	367.00-368.00	204.75-205.25
New Sovereign	87.00-88.00	48.50-49.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	96	128	7	21
1300	32	67	42	56
1400	6	29	116	118
Copper (Grade A)	**Calls**		**Puts**	
2100	99	122	5	24
2200	30	62	36	62
2300	4	28	110	124
Coffee	**Mar**		**Mar**	
900	52		1	
950	15		14	
1000	2		51	
Cocoa	**Mar**	**May**	**Mar**	**May**
725	44	72	21	22
750	31	57	33	32
775	22	44	49	44
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700	142		5	30
1750	86		7	39
1800	54	77	21	66

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	355.8	354.8	0	0
Feb	355.9	355.0	357.0	355.0
Mar	356.8	355.9	0	0
Apr	357.6	357.0	359.0	357.0
Jun	360.0	359.1	360.9	359.8
Aug	362.2	361.3	0	0
Oct	364.3	363.4	0	0
Dec	366.5	365.7	367.4	367.0
Feb	368.8	368.1	369.7	368.9

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	351.4	351.5	0	0
Apr	351.4	351.5	354.0	350.7
Jul	351.4	351.5	353.0	351.0
Oct	353.9	354.5	354.5	354.5
Jan	354.4	355.0	357.5	356.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	417.3	415.3	417.0	417.0
Feb	417.3	415.3	0	0
Mar	418.8	416.8	422.0	417.5
May	421.9	419.9	424.5	421.0
Jul	425.1	423.1	427.0	424.0
Sep	428.5	426.5	429.0	428.0
Dec	434.1	432.1	436.0	434.0
Jan	436.0	434.0	0	0
Mar	440.1	438.1	0	0
May	444.4	442.4	445.0	445.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	98.90	98.05	99.10	98.40
Feb	98.80	98.05	99.00	98.00
Mar	99.00	98.40	99.25	98.40
Apr	98.90	98.35	98.90	98.90
May	98.85	98.30	99.00	98.40
Jun	98.85	98.35	98.80	98.80
Jul	98.80	98.40	98.90	98.40
Aug	98.90	98.50	99.10	98.70
Sep	98.95	98.60	99.10	98.70
Oct	98.95	98.60	99.30	99.10

ORANGE JUICE 15,000 lbs: cents/lbs

	Close	Previous	High/Low	
Mar	143.45	142.50	143.50	141.30
May	143.85	143.00	144.00	142.00
Jul	144.00	143.05	144.00	143.60
Sep	141.00	140.00	141.95	141.00
Nov	132.55	131.15	133.00	133.00
Mar	132.40	131.00	0	0
May	132.40	131.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Mar	19.17	19.36	19.32	19.11
Apr	19.29	19.48	19.44	19.24
May	19.31	19.49	19.45	19.28
Jun	19.29	19.46	19.41	19.26
Jul	19.27	19.43	19.40	19.24
Aug	19.25	19.40	19.33	19.29
Sep	19.23	19.38	19.30	19.20
Oct	19.23	19.37	19.30	19.20
Nov	19.23	19.36	19.27	19.20
Dec	19.23	19.36	19.35	19.23

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	5410	5539	5500	5390
Mar	5421	5546	5510	5400
Apr	5340	5412	5400	5325
May	5246	5326	5315	5230
Jun	5220	5273	5285	5240
Jul	5225	5273	5275	5220
Aug	5300	5350	5335	5315
Sep	5430	5480	5475	5465
Oct	5530	5580	5580	5550
Nov	5630	5680	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1179	1176	1183	1169
May	1215	1216	1221	1206
Jul	1255	1255	1258	1245
Sep	1288	1285	1287	1277
Dec	1323	1320	1316	1316
Mar	1355	1353	0	0
May	1376	1374	1382	1375
Jul	1396	1394	1398	1398
Sep	1426	1424	0	0
Dec	1466	1454	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	74.06	75.10	75.60	74.00
May	76.85	78.00	78.35	76.60
Jul	79.70	80.75	81.10	79.65
Sep	82.50	83.45	83.75	82.50
Dec	86.10	86.90	86.75	86.05
Mar	89.15	90.15	89.70	89.70
May	92.75	93.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.35	8.56	8.60	8.31
May	8.41	8.60	8.53	8.36
Jul	8.44	8.60	8.54	8.37
Oct	8.49	8.66	8.58	8.41
Mar	8.53	8.67	8.52	8.46
May	8.52	8.63	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	53.38	54.18	54.20	53.24
May	55.37	56.01	56.00	55.20
Jul	56.90	57.52	57.45	56.70
Oct	59.41	60.02	59.80	59.32
Dec	60.17	60.85	60.65	60.05
Mar	61.70	62.37	62.00	62.00
May	62.22	63.12	62.50	62.50
Jul	62.95	63.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan.28	Jan.27	mnth ago	yr ago
1594.2	1601.5	1594.1	1650.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 24	Jan 23	mnth ago	yr ago
Spot	115.20	115.11	112.16	121.57
Futures	122.62	122.98	120.10	125.23

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	581/4	576/6	582/0	576/4
May	588/2	584/4	588/4	583/0
Jul	596/4	592/6	597/0	591/4
Aug	600/0	596/0	600/2	595/4
Sep	602/4	599/4	602/4	598/4
Nov	611/0	607/6	611/2	608/0
Jan	619/0	616/0	619/0	618/0
Mar	628/4	626/0	628/4	624/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.46	19.37	19.67	19.30
May	19.75	19.66	19.85	19.61
Jul	20.04	19.95	20.13	19.91
Aug	20.19	20.12	20.26	20.08
Sep	20.32	20.26	20.43	20.30
Oct	20.38	20.35	20.50	20.35
Dec	20.74	20.67	20.80	20.67
Jan	20.75	20.65	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	179.1	177.3	179.3	176.1
May	180.2	178.0	180.4	177.2
Jul	181.1	180.2	181.3	179.2
Aug	181.8	181.4	181.8	180.1
Sep	182.5	181.8	182.8	181.0
Oct	196.5	196.5	196.5	195.5
Dec	199.0	198.0	199.0	197.1
Mar	200.5	199.6	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	284/2	282/0	284/4	281/0
May	270/4	268/6	271/0	267/6
Jul	275/2	273/2	276/0	272/6
Sep	271/4	270/6	272/2	269/6
Dec	268/4	267/6	269/2	266/4
Mar	274/6	274/2	275/0	272/6
May	279/4	279/2	279/4	277/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	437/4	439/2	440/0	434/4
May	419/4	419/4	421/2	416/2
Jul	386/0	385/6	388/0	384/2
Sep	391/6	388/4	391/6	389/0
Dec	399/4	398/4	400/0	395/0
Mar	400/0	398/0	400/4	397/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.65	75.37	75.70	[illegible]
Apr	76.72	76.35	76.77	[illegible]
Jun	72.02	71.80	72.17	71.80
Aug	68.57	68.27	68.65	[illegible]
Oct	69.20	68.90	69.35	68.70
Dec	70.00	69.60	70.00	[illegible]
Feb	69.50	69.45	69.80	[illegible]

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.18	41.22	41.55	[illegible]
Apr	40.10	40.32	40.75	[illegible]
Jun	44.10	44.07	44.35	[illegible]
Jul	44.47	44.37	44.70	[illegible]
Aug	43.17	42.97	43.45	[illegible]
Oct	40.40	40.35	40.65	[illegible]
Dec	43.15	43.15	43.40	[illegible]
Feb	44.70	44.70	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	33.70	33.45	33.80	[illegible]
Mar	34.37	34.05	34.47	[illegible]
May	35.35	34.70	35.60	[illegible]
Jul	35.25	35.00	35.35	[illegible]
Aug	34.77	34.47	35.40	[illegible]

LONDON STOCK EXCHANGE

FT-SE Index clears the 2,550 hurdle

By Terry Byland, UK Stock Market Editor

A NEGATIVE survey of business opinion from the Confederation of British Industry proved no restraint for the UK stock market, which yesterday bounded above the FT-SE 2,550 hurdle last seen in mid-November 1991. London was helped at the close by a firm opening on Wall Street as it awaited the State of the Union message from President Bush.

On the domestic front, the UK market continued to respond favourably to political factors, with a firm pound at first encouraging hopes for a cut in domestic interest rates ahead of the Budget and the UK general election which is likely to follow soon after. Speculation over the re-election prospects of Mr Major's government were enhanced by his announcement of further plans for a Citizen's Charter.

Account Dealing Dates		
First Dealings:		
Jan 13	Jan 27	Feb 10
Option Declarations:		
Jan 23	Feb 6	Feb 20
Last Dealings:		
Jan 24	Feb 7	Feb 21
Account Day:		
Feb 3	Feb 17	Mar 2

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened sharply higher, moving quickly above Footsie 2,550 in early trading, but only to be trimmed back for a while when institutional demand for shares proved relatively restrained. However, traders identified some buying of UK equities by overseas and domestic funds.

By midsession, the stock market was less than four points above the Footsie close of the previous night. But share prices resumed the upward path when the Dow Industrial Average opened with a gain of 9 points in UK trading hours.

The final reading put the FT-SE Index at 2,552.0, for a gain on the day of 12.1 points. The Index last closed above 2,550 on November 14, but has been struggling to regain this level in recent sessions.

Trading volume increased from Monday's relatively low levels. The Seaq system yesterday recorded volume of 551.8m shares, compared with 448.1m in the previous session. On Monday, customer or retail business in London equities totalled only £821.4m, as against daily totals in the £1.1bn area in many recent sessions.

In contrast with the general appearance of the market, the blue chip internationals recorded a somewhat ragged performance yesterday. Financial stocks gave back a few pence of their recent gains and the pharmaceutical sector turned in a more mixed pattern than in recent weeks.

One of the chief talking points was the annual meeting of Hanson, where London traders were attentive to Lord Hanson's statement that the group had no intention of bidding for ICI. While there was little likelihood of Hanson's trying to sell its 2.82 per cent stake in ICI yesterday, or in the near future, there were enough disappointed speculators around to hit the share price of the UK's premier chemical group.

Other features were few and far between, with traders unconvinced by a re-run of some old bid stories in the insurance sector. Although the London money markets discouraged hopes for an early cut in base rates, there were some gains among the building shares which have been so badly hurt by the prolonged period of high interest rates in the UK. Some consumer-orientated stocks also responded to interest rate optimism.

The initial firmness on Wall Street made little impression on oil shares which moved narrowly around their overnight levels as the London market closed for the day. Nor was there much response from Cadbury Schweppes or Reckitt & Colman, both traditionally affected by transatlantic considerations.

Hanson news hits ICI

TRADING in ICI became frenetic at mid-morning as the stock market reacted to the statement by Lord Hanson that his conglomerate had no intention of bidding for the chemicals group.

The price of ICI shares moved so sharply that the quotation screen moved into backwardation, the situation when one marketmaker quotes a higher bid price than another's selling quote. Sellers were seen at 1245p but the mid-price recovered later from a low of 1253p to end at 1267p, only 2 off on the day.

Lord Hanson bought his 2.82 per cent stake in ICI last May, paying 1194½p a share for 20m shares. Assuming carrying costs of around £21m he would have to sell the shares at around £13 apiece to show a profit.

The original stake purchase was carried out by securities house Smith New Court, and as Smith's chemicals analyst Mr Charles Lambert pointed out: "He needs his dividend to break even at these levels." The final dividend is expected to be about 34p and is due towards the end of April.

Observers were surprised that Hanson lost 5½ to 208p in spite of a positive annual meeting. But the stock has had a good run recently and US investors were taking profits.

BET worries

International business services group BET fell steeply after one securities house turned seller and another was said to have sharply cut its forecasts.

UBS Phillips & Drew was yesterday reminding clients that its prediction for the year ending March 1993 was down to £140m and advising them to sell the shares. Mr Mark Shepperd of UBS added: "I no longer believe that the dividend is absolutely safe."

The shares were further affected by strong speculation that Cazenove, BET's joint broker with BZW, had lowered its forecasts for the second time. Cazenove never comments on its moves but it is believed to be forecasting £110m for the year ending in March and £140m for the year to March 1993.

The shares stood at 205p before a hefty forecast cut less than two weeks ago by Robert Fleming Securities. That cut prompted most houses, including Cazenove, to follow suit. The stock lost 17 yesterday to 159p with 16m shares traded, the heaviest turnover for a year.

GRE rises sharply

Long-running rumours that a bid for Guardian Royal Exchange, the composite insurance group, might be about to emerge from either the UK or Europe drove GRE shares sharply higher.

They closed a net 7 firmer at 135p on exceptionally heavy turnover of 8.2m. Dealers have noted strong support for GRE shares in recent weeks, accompanied by bigger than usual activity in the stock.

The latest stories of an imminent takeover move against GRE suggested Sun Alliance, GRE's fellow UK composite insurer, as the favourite to launch a bid, with Axa Midi and the UAP/Sun Life grouping, both French-domiciled, said to be other keen contenders.

GRE is scheduled to report preliminary figures on March 19 and the group is one of the market's blue chip favourites for a cut in its dividend payment. Analysts expect GRE to produce pre-tax losses of more than £200m for 1991, against a deficit of £157m in 1990, with many insurance specialists forecasting a halved final dividend.

Sun Alliance, where 1991 losses are expected to reach £400m, has a 14.8 per cent stake in Commercial Union, another UK composite, whose shares eased 2 to 463p. Sun shares dipped 3 to 296p.

Housebuilder and construction group Taylor Woodrow came under a sustained bout of selling pressure from the outset as at least three leading brokers chopped forecasts for the company to allow for expected provisions against financial strains in the housing and Eurotunnel operations.

BZW lowered its forecast for the current year from £40m to £12m and for 1992 from around £50m to £25m. Hoare Govett, Taylor Woodrow's broker, shifted its current-year number from £20m down to zero and for 1992 from £40m to £20m.

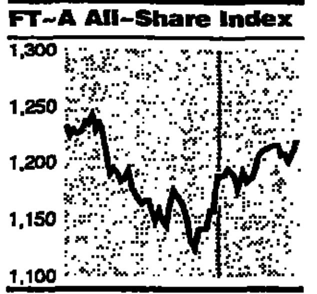
Charterhouse Tilney was reported as lowering its current forecast to zero and maintaining its 1992 figure at £25m. However, Charterhouse was said to have reduced its 1992 dividend expectation to 9.5p. Taylor Woodrow shares dropped to 123p before closing a net 5 off at 128p, with turnover reaching a heavy 6.5m.

BPB, Europe's biggest plasterboard manufacturer, settled 3 ahead at 147p, after 150p, as the market reacted to suggestions that Knauf, the German group seeking to expand its plasterboard operations in the UK and the rest of Europe, has indicated it was about to increase its plasterboard prices by up to 10 per cent.

Video distributor Pickwick surged ahead 67 to 240p after recommending acceptance of a £67.8m bid from Carlton Communications, which added 11 at 569p with 2.2m traded.

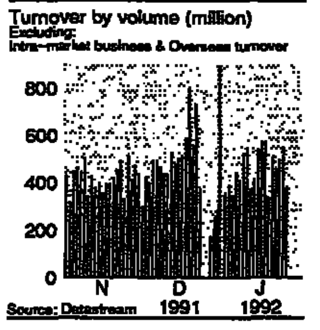
Investment bank Kleinwort Benson strengthened its negative stance on Forte and Ladbroke after new research indicated poor hotel occupancy rates, particularly for London, in November and December. The outlook for January is also weak. Forte slipped 2¼ to 230½p, while Ladbroke lost 3 to 216p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

Interest in selected property issues continued as buyers took account of favourable interest rate comments and the sector's relative cheapness. British Land added 11 at 272p, Great Portland rose 8 to 171p and MEPC gained 7 to 395p.

However, Chesterfield Property dropped 43 to 345p after one broker moved to sell a line of stock and others followed suit on a stock which has been on a number of brokers' sell lists.

Northern Foods gained 20 to 578p in response to a successful £227m rights issue. The take-up of the company's offer was 91.4 per cent. The rump of 3.3m shares was placed with institutions at 568p.

Food retailer J. Sainsbury was active, with 6.4m shares traded at 358p as one half of a tax-related "bed and breakfast" deal. The shares closed 5 higher at 369p.

W.H. Smith "A" softened 2 to 459p ahead of today's interim figures.

Fisons rose 20 to 369p with 11m traded after stating that it would recommence manufacture of its eye preparation Opticrom in the UK.

Lonrho rallied 6 to 1123½p on turnover of 12m, reflecting a feeling that Friday's 30 per cent fall in the stock was overdone.

Industrial conglomerate Williams Holdings fell 11 to 312p after the UK financial reporting review panel said Williams' 1990 accounts did not comply with current company reporting rules.

Leather and hosiery group Hartstone jumped 20 on the announcement that its £65m rights issue at 235p a share was 96.1 per cent taken up by shareholders. The stock receded later to close 8 up at 277p. The rump of the issue, just over 1.1m shares, was placed by BZW with around 20 institutions at 284p a share.

Negative sentiment following a recent profits downgrade continued to affect P & O, which slipped 5 to 435p, after falling 7 on Monday. Eurotunnel, recommended by Charterhouse Tilney, its own broker, as a switch out of P & O, which it downgraded, gained 12 to 469p.

Turnover in Rolls-Royce rose to 8.8m and the shares put on 8 to 144p as talk of a dividend cut at the company continued to fade. Sentiment was also helped by a recommendation of Rolls-Royce included in a review on the aerospace sector by Charterhouse Tilney published yesterday.

T & N hardened 4 to 106p after County NatWest moved the stock from a sell to a buy in a review of the motor sector.

The broker said: "Underperformance of 42 per cent during 1991 has resulted in a rating that does not reflect the group's recovery potential."

MARKET REPORTERS:
Peter John, Joel Kibazo, Colin Millham, Chris Price, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 19.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (80).

BRITISH FUNDS (9) Tr. 8¼pc 1993, Fd. 6pc 1993, Tr. 8½pc 1994, Tr. 10pc 1994, Tr. 9pc 1994, Tr. 8pc '92-96, Tr. 6¾pc '95-98, Tr. 8½pc 1999, Cv. 9pc 2000, **OTHER FIXED INTEREST (3)** African Devlpt. 11¼pc 2010, Hydro Quebec 15pc 2011, Intl-Amer. Devlpt. 12½pc 2003, **AMERICANS (2)** Houston Inds., Ingersoll-Rand, **BUSINESS SERVICES (6)** Adam & Harvey, Capita, Hays, RCO, Sherwood Computer Servs., Willis, **CHEMICALS (3)** Courtaulds, Plysu, Yorkshire, **ELECTRICALS (1)** Hawker Siddeley, **ELECTRONICS (6)** Elect. Data Procg., Farnell, MTL Instrs., Micro Focus, Sage, Telemetrix, **ENGINEERING AEROSPACE (1)** FR, **ENGINEERING GENERAL (6)** Black & Decker, Bullough, Siebe, TT, Victaulic, Weir, **FOOD MANUFACTURING (2)** Dalepak, Golden Vale, **FOOD RETAILING (2)** Farepak, Morrison (Wm), **HEALTH & HOUSEHOLD (2)** Paterson Zochonis A NV, Seton Healthcare, **INVESTMENT TRUSTS (18)** Beta Global Emrg. Mkts., Exmoor Dual Zero Prf., Flmg. Intl. High Zero Prf., Gartmore Amer. Secs. Zero Prf., General Cons. Stppd. Prf., Group Devlpt. Cap., Kleinwort High Inc. Zero Prf., Latin Amer. Inv., Do. Wrrnts., M & G Inc. Zero Prf., River & Merc. Stppd. Prf., Scottish Natl. Stppd. Prf., TR Technology Zero Prf., Templeton Emrg. Mkts., Do. Wrrnts., Do. 1pc Cv 2001, **MEDIA (4)** Carlton Comms., Central ITV, Grampian TVA, Scottish TV, **METAL & METAL FORMING (1)** Johnson Matthey, **MISCELLANEOUS (2)** Airsprung Furniture, Frost, **MOTORS (3)** Barr & WAT A, Central Motor Auctions, Volvo AB B, **OIL & GAS (2)** Pittencrief, Sidlaw, **OTHER FINANCIAL (6)** Aitken Hume, Baring Puma, Edinburgh Fund Mangrs., Latin Amer. Extra Yield, Swire Pacific, Templeton Galbraith & Hansberger, **PROPERTY (1)** HK Land, **STORES (3)** Body Shop Intl., Boots, Lloyds Chemists 7.5p Cm Prf., **TELEPHONE NETWORKS (1)** Northern Telecom II, **TEXTILES (1)** Leeds.

NEW LOWS (49).

BUILDING MATERIALS (1) Rostel, **CONTRACTING & CONSTRUCTION (4)** CALA, Laing (J), Do. A, Miskin, **ELECTRICALS (1)** Wholesale Fttgs., **ELECTRONICS (1)** P-E Intl., **ENGINEERING GENERAL (1)** Aerospace Eng., **FOOD MANUFACTURING (1)** Hazlewood, **HEALTH & HOUSEHOLD (1)** Nestor-BNA, **HOTELS & LEISURE (2)** Kunick, Tottenham Hotspur, **INSURANCE BROKERS (1)** PWS, **INSURANCE LIFE (1)** London & Manchester, **INVESTMENT TRUSTS (4)** English Natl. Prfd., Gartmore Value, I & S UK Smllr. Co's Wrrnts., North Amer. Gas, **MEDIA (1)** Osprey, **METAL & METAL FORMING (3)** Barrett (H), Clayhithe, Linread, **MISCELLANEOUS (4)** Assoc. British Consultants, Brandon Hire, Eurocopy, Hawtal Whiting, **OIL & GAS (5)** Bow Valley, Brabant Res., Globe, Kelt Energy, Sceptre Res., **OTHER FINANCIAL (4)** East German Inv., Fidelity Japan OTC Wrrnts., Japanese Wrrnt. Fund Wrrnts., Union Discount, **OTHER INDUSTRIAL MATERIALS (1)** Allied Partnership, **PROPERTY (6)** Capital & Counties, Chesterfield, Do. 5.25pc Prf., Debenham Tewson & Chinnocks, Derwent Valley, Mowat, **STORES (3)** Colorvision, Dumas, Ratners 8⅞pc Prf., **TEXTILES (3)** GR, Jacques Vert, Lister, **TRANSPORT (1)** Jacobs (JI).

FINANCIAL TIMES STOCK INDICES

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.84	87.74	87.70	87.74	87.70	84.00	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.98	99.86	99.87	99.91	100.00	91.61	100.14 (21/1/92)	90.69 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1973.8	1966.4	1944.9	1963.5	1961.8	1656.8	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	153.3	152.8	152.6	154.6	156.3	140.8	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2552.0	2539.9	2510.4	2525.3	2522.0	2113.8	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1178.40	1176.71	1164.15	1166.67	1168.04	988.38	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.63	4.65	4.70	4.67	4.68	5.78				
●Earning Yld %(full)	6.94	6.97	7.05	7.00	7.02	11.84				
●P/E Ratio(Net)(☆)	18.11	18.03	17.83	17.98	17.91	10.22				
SEAQ Bargns 4.45pm	27,881	26,965	33,312	28,215	27,489	27,307				
Equity Turnover(£m)†	-	821.4	1,004.6	930.3	1,056.8	875.49				
Equity Bargains†	-	27,352	32,682	29,747	26,589	25,382				
Shares Traded (ml)†	-	376.6	559.9	503.1	464.2	481.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 = 1017.09

Ordinary Share Index, Hourly changes Day's High 1975.0 Day's Low 1966.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1966.5	1970.8	1971.2	1972.3	1969.0	1969.2	1969.7	1971.3	1974.2

FT-SE 100, Hourly changes Day's High 2553.3 Day's Low 2540.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2540.4	2545.5	2548.0	2550.5	2545.1	2545.2	2546.4	2547.9	2552.1

FT-SE Eurotrack 200, Hourly changes Day's High 1180.41 Day's Low 1175.77

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1178.68	1177.74	1178.42	1177.47	1176.08	1177.00	1178.35

GILT EDGED ACTIVITY

Indices*	Jan 27	Jan 24
Gilt Edged Bargains	90.9	84.3
5 - Day average	83.3	75.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index Tel 0891 123001 Calls charged at 36p minute cheap rate, 48p minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

A BURST of activity in the last few minutes of trading in stock index futures brought a measure of excitement to an otherwise directionless session, writes Joel Kibazo.

The March contract opened strongly with traders reporting 2,580 as the resistance point. A strong performance by short sterling and UK gilts, coupled with an advance in US bonds and a strong Wall Street encouraged sporadic buying during the afternoon.

However, a big buy order from a leading securities house, some 10 minutes before the market's official close triggered a squeeze, sending March forward to a large premium. Traders were also reported to have moved to cover short positions ahead of the US president's state of the union speech, last night.

March closed at 2,594, a premium of 42 against its estimated fair value premium to cash of 16.

In traded options, the FT-SE 100 Index's turnover of 8,468 contracts accounted for a large part of the days's total of 28,724. Rolls-Royce, where fears of a dividend cut had begun to fade, was the busiest stock option. It traded 5,547 contracts with UBS Phillips & Drew and S.G. Warburg reported to have carried out a majority of the day's business.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

Index - Linked	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]							

APPOINTMENTS

Hampson quits Fraser

Rodd Hampson, managing director of House of Fraser, the department store group owned by the Fayed family, is to leave the company at the end of the month to return to his native Australia for family reasons.

Hampson has worked at House of Fraser for six years and has overseen the slimming down of its department store portfolio and the modernisation of its management systems. In his previous job as merchandise director of Harrods, he was credited with inventing the slogan: "There is only one Harrods; there is only one sale."

He will be succeeded by Andrew Jennings, who last year became general manager of Harrods. Jennings, in his early 40s, began his retailing career as a management trainee at Debenhams and worked at three department store companies in South Africa before returning to the UK.

New post at Laporte

David Wilbraham has been appointed to the new post of chief operating officer at LAPORTE, the UK chemicals group. Ken Minton, chief executive, decided last year to create the job in an effort to separate strategic development from day-to-day operations.

Wilbraham, 52 and currently general manager of the chemical products group of ICI's chemical and polymers division, has experience in both the technical and commercial aspects of the chemical industry. An earlier post as vice-president of ICI speciality chemicals in north America should also help him at Laporte. About a third of the company's turnover is in the US.

Wilbraham, who will be based in the UK, will have responsibility for all divisions at Laporte and will become chairman of each division. The divisions' chief executives will report directly to him; he will report to Minton.

Parker to Costain Coal

Costain, the UK construction engineering and mining group which saw its share price fall steeply for much of last year, has moved to strengthen the management of its important US coal mining business by appointing Tom Parker as president and chief executive of Costain Coal Inc.

Parker, 48, who has previously worked for Consolidation Coal, Shell Oil and Conoco in the US, replaces Gordon Haworth, 58, who leaves the company by mutual consent.

According to Peter Costain, chief executive of the UK group: "Gordon Haworth had just two years of his service contract to serve and it was thought that now would be the right time to replace him with a younger man with a long term commitment to improve returns in the US coal business - which we are determined to achieve."

Coal sales from the US and Australia accounted for 62 per cent of Costain's 1990 operating profit.

MMB and 1992

Christopher Melchers, 55, who for the past three years has been director of corporate development at Britain's largest hotel group, Forte, has been lured to the Milk Marketing Board as finance director.

The Milk Marketing Board, the 60-year-old cartel which represents dairy farmers in England and Wales, is embroiled in a tussle with the Dairy Trade Federation, the milk processors, over the future shape of the industry, particularly in the light of the imminent single market.

Asked why Melchers should wish to join an outfit whose very existence was potentially under threat, George Wright, the new chief executive, says the organisation's existence has been under threat for the entire 28 years he himself has been there. He adds that the strong City connections Melchers has accumulated will be particularly valuable to the board in the midst of current reform of the dairy industry.

■ Tony Hopkins, who announced his intention to quit as chief executive of the Northern Ireland Industrial Development Board last week, is to join Touche Ross as the managing partner of its Northern Ireland practice.

■ Nicholas Herbert is appointed to the new post of deputy chief executive of WESTMINSTER PRESS.

■ Tim Arthur is appointed financial director of Abekas Video Systems, part of CARLTON COMMUNICATIONS.

■ John Lazarus is appointed personnel director of TRICO-FOLBERTH.

■ Danny Basden is appointed sales director of Premier Profiles and Procell Plastics, subsidiaries of POLYPIPE.

■ Tony Hampshire is appointed director of BRS Tankfreight's food division.

■ Charles Kirk, formerly group md, is promoted to vice-president, FEDERAL EXPRESS Business Logistic Europe.

■ Keith Siddall is appointed commercial director and deputy chairman of SANDERSON MURRAY & ELDER; he was group md of C D Bramall, a subsidiary of Avis Europe.

■ John Casey is appointed director for group services of EUROPEAN LEISURE.

■ Michael Derbyshire, currently joint md of Norcros' ceramics division, is appointed group md of WHITECROFT.

■ Patrick Dowling is appointed group finance director of FITZWILTON.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	34¼xd	[illegible]	36⅝	20⅞	14,778	1.6
Allegheny & W.	285p	+8	380p	218p	145.5	6.0
Amdahl	937pxd	+12	1016p	687p	1,048	0.5
Amer Cyanamid	34¼	[illegible]	42½	25¾	[illegible]	2.5
Amer Express	12¼xd	[illegible]	17⅞	9⅞	5,697	4.4
Amer T & T	21¼xd	[illegible]	24½	15¼	27,786	3.5
Ameritech	36⅞	[illegible]	38⅞	32½	15,662	5.4
BankAmerica	21[illegible]xd	[illegible]	[illegible]	12[illegible]	4,789	3.1
Bankers NY	36[illegible]xd	+1[illegible]	[illegible]	20[illegible]	3,035	7.4
Bell Atlantic	[illegible]	[illegible]	[illegible]	24¼	10,285	5.5
BellSouth	28	[illegible]	31¼	25	13,581	6.5
Bethlehem Steel	8[illegible]xd	[illegible]	11¼	6[illegible]	[illegible]	2.5
Bowater	1289p	-14	1638p	1042p	498.8	5.3
CPC	47[illegible]xd	[illegible]	54[illegible]	37[illegible]	3,670	2.6
California Engy	788p	-25	998p	420p	138.2	-
Campbell Soup h	22⅞	[illegible]	25	14½	6,750	1.7
Chase Manhattan	11[illegible]xd	[illegible]	12¾	5[illegible]	1,823	5.7
Chrysler	7[illegible]xd	[illegible]	9[illegible]	5[illegible]	2,188	4.5
Citicorp	8[illegible]xd	+[illegible]	10[illegible]	4[illegible]	2,888	-
Colgate-Palm	26[illegible]xd	[illegible]	27⅝	21[illegible]	3,035	2.3
Cont'l Bank	741p	+17	920p	488p	748.8	8.1
Dana	17[illegible]xd	[illegible]	21⅝	13⅝	724.7	5.0
Data General	871p	-4	1282p	208p	185.2	-
Dial	27[illegible]xd	[illegible]	27[illegible]	12[illegible]	1,884	2.9
Dun & Brad	30½	[illegible]	31⅝	20¾	5,443	4.0
Eaton	37⅝	[illegible]	40	24¾	1,206	3.3
Echlin	8⅝xd	[illegible]	[illegible]	5½	461.7	4.6
FPL	18⅝xd	[illegible]	[illegible]	14[illegible]	3,334	7.0
Fluor	25¼xd	[illegible]	[illegible]	17[illegible]	2,084	0.9
Ford Motor	18¾xd	[illegible]	[illegible]	15	8,858	3.1
Gen Elect	45¾xd	[illegible]	46[illegible]	28[illegible]	38,021	2.7
General Host	563p	+11	590p	270p	-	4.0
Gillette	26¾xd	[illegible]	46¼	20⅞	8,204	1.2
Hasbro	22¼	[illegible]	24	7[illegible]	1,278	0.6
Honeywell	40xd	[illegible]	40½	21[illegible]	2,789	2.3
Houston Inds	24⅞	[illegible]	24[illegible]	17[illegible]	3,142	6.8
IBM	52½xd	[illegible]	72[illegible]	48	30,337	5.2
Ingersoll-Rand	33[illegible]xd	[illegible]	[illegible]	18[illegible]	1,727	2.2
Lockheed	23[illegible]xd	[illegible]	28[illegible]	18[illegible]	1,479	4.8
Lowe's	2168p	+2	2228p	1245p	789.4	1.5

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PROPERTY

STORES

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TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International.
- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed, dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on ... r Subject to local tax. ... official estimates for ...

e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. ... yield, p/e based on latest annual earnings. ... H Yield based on prospectus or other ... xd ex dividend. xc ex scrip issue. xr ex rights. xa ex all. xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

London Share Prices

London share prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT.

To obtain your free share Code Booklet ring (071 925-2128)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	5	774.94	790.9	836.3	+3.1	7.34
Far Eastern	5	187.12	189.9	200.8	+0.3	0.98
(Accum Units)	5	242.12	245.7	259.8	+0.4	0.98
Fund of Inv Tsts	5	383.03	392.7	415.3	+4.8	2.9
(Accum Units)	5	675.85	693.0	732.9	+8.6	2.9
General †	5	43.24	43.30xd	45.80	+0.1	5.26
(Accum Units)	5	109.55	109.6	116.0	+0.4	5.26
Gilt Income	5	58.86	59.00	61.90	.....	8.8
(Accum. Units)	5	132.3	132.5	139.1	.....	8.8
Gold	5	36.69	37.40xd	39.60	+0.2	1.76
(Accum Units)	5	42.32	43.10	45.60	+0.2	1.76
High Income	5	18.73	18.80xd	19.90	+0.1	7.1
(Accum Units)	5	65.63	66.70	69.50	+0.2	7.1
Intl Growth	5	54.24	54.70xd	57.80	.....	1.1
(Accum Units)	5	92.64	93.40	98.70	.....	1.1
International Inc	5	69.63	70.30	74.30	+0.4	5.81
(Accum Units)	5	91.05	91.90	97.10	+0.5	5.81
Japan & Gen	5	35.96	36.00	38.10	+0.1	-
(Accum Units)	5	38.59	38.60	40.90	+0.1	-
Japan Smaller Cos	5	108.97	109.4	115.7	+0.4	-
(Accum Units)	5	109.73	110.1	116.5	+0.4	-
Midland	5	42.28	42.30	44.70	+0.2	6.15
(Accum Units)	5	127.4	127.4	134.7	+0.7	6.15
Pension Ex	2	693.61	707.2	724.9	+1.1	5.56
Recovery	5	25.91	26.60xd	28.10	+0.2	5.11
(Accum Units)	5	39.56	40.60	42.90	+0.2	5.11
Second General	5	45.91	46.00xd	48.60	+0.2	5.41
(Accum Units)	5	108.09	108.1	114.3	+0.5	5.41
Smaller Cos	5	48.92	49.80	53.30	+0.2	4.69
(Accum Units)	5	87.84	89.30	95.60	+0.2	4.69
Trustee	5	30.03	30.10	31.80	.....	5.6
(Accum Units)	5	107.48	107.5	113.6	.....	5.6

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	227.3	230.3	244.9	+0.7	6.82
(Accum Units)	5	368.7	373.4	397.2	+1.0	6.82
UK Growth	5	284.8	288.5	306.7	+2.4	4.53
(Accum Units)	5	343.9	348.1	370.3	+2.9	4.53
Int Equity Gth $	5	48.04	48.25	51.32	-0.05	1.22
Intl Bond	5	54.50	54.50	57.22	-0.1	7.77
Special Sits Gwth	5	15.75	16.21	17.24	+0.15	3.74
North American Gwth	5	71.43	71.72	76.29	+0.15	0.96
European Growth $	6	49.88	50.10	53.29	+0.04	1.36

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1072.5	1072.5	1099.1	.....	4.40

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	105.6	105.6xd	108.7	+2.1	5.35

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	69.73	69.92	74.63	+0.19	3.88
Acumen Reserve	3	67.49	67.49	69.50	+0.12	9.80
American Income	5	134.41	134.58	142.40	+0.38	3.43
Equity Income	5	78.04	78.04xd	83.28	+0.40	6.39
European	5	54.59	54.59	58.26	+0.14	0.35
Far Eastern	5	108.16	108.28	115.40	+0.68	0.99
Smaller Cos	5	46.55	46.55	49.67	+0.12	2.02
Olympiad	5¼	45.80	45.80	48.72	+0.08	1.10
Olympiad Income	5¼	43.50	43.50	46.42	+0.09	6.17
UK Growth	5	73.41	73.41	78.35	+0.16	1.97

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	91.53	93.14xd	99.09	+0.18	3.63

NM Unit Trust Mngrs (1200)F
The Billton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	34.55	34.55	36.89	.....	1.03
(Accum Units) ♥	5¼	37.41	37.41	39.90	-0.01	1.03
Australian ♥	5¼	196.30	196.30	210.60	+3.20	2.26
(Accum Units) ♥	5¼	222.00	222.00	238.10	+3.70	2.26
Conscience	5¼	53.71	53.71xd	57.32	+0.13	1.36
(Accum Units)	5¼	56.99	56.99	60.82	+0.13	1.36
European	5¼	142.70	142.70	152.20	+0.20	1.02
(Accum Units)	5¼	151.50	151.50	161.60	+0.20	1.02
Extra Income	5¼	62.18	62.18	66.36	+0.29	6.86
(Accum Units)	5¼	88.15	88.15	94.07	+0.41	6.86
Far East Gth Acc	5¼	102.00	102.00	109.00	-0.10	0.00
Gilt & F.I.	5¼	53.79	53.79	56.93	+0.03	8.01
(Accum Units)	5¼	116.70	116.70	123.40	+0.10	8.01
Gold ♥	5¼	28.42	28.42	30.55	+0.18	0.00
(Accum Units) ♥	5¼	30.60	30.60	32.90	+0.20	0.00
Income	5¼	43.09	43.09xd	45.96	+0.02	6.13
(Accum Units)	5¼	123.50	123.50	131.70	.....	6.13
Intnl	5¼	24.31	24.31	26.08	.....	0.42
(Accum Units)	5¼	34.68	34.68	37.21	.....	0.42
Jap Smaller Cos	5¼	281.00	281.00	299.70	+0.10	0.00
Sing & Malaysian	5¼	100.50	100.50	107.70	-1.00	0.00
(Accum Units)	5¼	104.60	104.60	112.10	-0.90	0.00
Smaller Co's	5¼	23.25	23.25xd	25.00	+0.30	2.60
(Accum Units)	5¼	26.39	26.39	28.37	+0.34	2.60
Special Sits	5¼	26.22	26.22	28.19	+0.09	0.92
(Accum Units)	5¼	29.44	29.44	31.65	+0.10	0.92
Tokyo	5¼	59.97	59.97	63.96	-0.33	0.00
(Accum Units)	5¼	60.57	60.57	64.60	-0.34	0.00
UK Equity	5¼	137.10	137.10xd	146.20	+0.20	4.18
(Accum Units)	5¼	248.20	248.20	264.70	+0.40	4.18
US Smaller Cos ♥	5¼	71.56	71.56	76.53	-0.14	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Baring International Fd Mngrs (Ireland) Ltd

TSB Trust Funds—Contd.

JERSEY (REGULATED)(**)

Barclays Intl Funds

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

Hypo Foreign & Colonial Port Fd Sicav—Contd.

INVESCO MIM International Limited (u)

LUXEMBOURG (REGULATED)(**)

Credit Commercial de France

Credit Suisse

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund—SICAV (u)

World Trust Fund

Yamaichi Advanced Technology Fd

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Gaia Currency Funds

Gartmore Investment Ltd

North Star Fund Managers—Contd.

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on consumer poll

The dollar weakened sharply on the foreign exchange markets yesterday following the release of a confidence survey which damped hopes of a consumer-led recovery in the US economy, *writes Simon London.*

The consumer confidence index registered 50.4 this month, down from 52.5 in December. The dollar fell sharply as a result from DM1.6050 immediately before the announcement to a low of DM1.5925.

Overnight in the Far East the dollar was confined to a tight range. *The US currency* closed in Tokyo at Y125.37, from Y125.25 in New York, and DM1.6095 from DM1.6105.

The yen was also weak against the D-Mark. The German currency regained recent losses to push up to Y78.00 during the Tokyo day.

The Japanese unit was weak as economic data released yesterday confirmed that the Japanese economy is slowing and increased expectations of an early cut in interest rates.

Retail sales grew at a rate of just 1 per cent during December, from a 4.5 per cent rate of increas in November. Industrial production fell by 0.9 per cent in December from November, and now stands down 1.4 per cent on December 1990.

In the light of the figures, analysts saw the Japanese currency weakening through resistance levels at Y125.50 against the dollar before falling Y127, the level at which central banks intervened earlier in the month.

In European trading the dollar was confined to its tight ranges until the consumer confidence figures were released but the yen continued to weaken, falling through resistance levels against both the dollar and D-Mark. The Japanese currency fell to lows of Y125.95 against the dollar and Y78.66 against the D-Mark before stabilising.

The dollar closed in London at DM1.5965 from DM1.6165 on Monday; Y125.60 from Y125.50; $1.7955 from $1.7765 against sterling.

Within the European exchange rate mechanism, the D-Mark was soft again early in the day but recovered ground through the afternoon session as its rallied against the dollar.

The German currency was also supported by money supply figures which showed M3 growing at a rate of 5.7 per cent in December from 5.1 per cent in November. The Bundesbank's target range for M3 growth was 3 - 5 per cent, suugesting that interest rates will be kept high to suppress money growth and inflation. In the morning, the D-Mark fell below Pta63.00 against the peseta, the strongest currency in the system, dropping to a low of Pta62.88 before recovering ground.

This raised sterling's floor within the system, determined by its maximum permitted divergence against the Spanish currency. The UK currency rose in line with the floor, peaking at DM2.8730 but falling back in the afternoon in line with the dollar. By the close, sterling stood at DM2.8675, from DM2.8725 on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.666	-3.72	6.02	64
Belgian Franc	42.4032	42.0728	-0.78	2.88	37
Dutch Guilder	2.31643	2.30057	-0.68	2.78	33
D-Mark	2.05586	2.04296	-0.63	2.72	39
Italian Lira	1538.24	1534.98	-0.21	2.29	10
Irish Punt	0.767417	0.766289	-0.15	2.23	6
French Franc	6.89509	6.96130	0.96	1.11	-53
Danish Krone	7.84195	7.92082	1.01	1.06	-46
Sterling	0.696904	0.711386	2.08	0.00	-41

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.28	Close	Previous Close
£ Spot	1.7915-1.7925	1.7815-1.7825
1 month	0.91-0.90pm	0.97-0.95pm
3 months	2.79-2.76pm	2.78-2.75pm
12 months	9.27-9.17pm	9.25-9.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Jan.28	Previous
8.30	am	90.7	90.6
9.00	am	90.7	90.7
10.00	am	90.7	90.6
11.00	am	90.7	90.6
Noon		90.7	90.6
1.00	pm	90.7	90.6
2.00	pm	90.7	90.6
3.00	pm	90.7	90.6
4.00	pm	90.8	90.5

CURRENCY MOVEMENTS

Jan 28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.8	-21.0
U.S Dollar	62.6	-15.8
Canadian Dollar	101.5	-0.3
Austrian Schilling	110.3	+12.0
Belgian Franc	111.8	-1.8
Danish Krone	109.2	+3.2
D-Mark	118.8	+25.0
Swiss Franc	108.6	+16.8
Dutch Guilder	114.8	+16.4
French Franc	103.3	-12.9
Lira	99.2	-19.6
Yen	144.5	+81.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.27

CURRENCY RATES

Jan 28	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.783636	0.711386
U.S Dollar	3.50	1.39973	1.27089
Canadian $	7.33	1.64146	1.48872
Austrian Sch	7.50	15.8590	14.3750
Belgian Franc	8.50	46.2786	42.0728
Danish Krone	9.50	8.71122	7.92082
D-Mark	8.00	2.25007	2.04296
Dutch Guilder	8.50	2.53071	2.30057
French Franc	10¼	7.66212	6.96130
Italian Lira	12	1689.65	1534.98
Japanese Yen	4.50	174.686	159.814
Norway Krone	8	8.81550	8.01360
Spanish Peseta	-	N/A	128.666
Swedish Krona	10.00	8.16672	7.42073
Swiss Franc	7.00	1.99839	1.81610
Greek Drach	19	255.134	235.115
Irish Punt	-	N/A	0.766289

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Jan.27

OTHER CURRENCIES

Jan 28	£	$
Argentina	1.7695 - 1.7725	0.9900 - 0.9910
Australia	2.3955 - 2.3975	1.3395 - 1.3405
Brazil	2270.45 - 2272.00	1270.60 - 1270.80
Finland	7.8045 - 7.8180	4.3700 - 4.3730
Greece	329.000 - 334.250	184.160 - 187.100
Hong Kong	13.8565 - 13.8695	7.7580 - 7.7600
Iran	2530.00*	1415.00*
KoreaSth	1349.55 - 1371.30	760.00 - 769.00
Kuwait	0.52145 - 0.52245	0.29180 - 0.29220
Luxembourg	59.10 - 59.20	32.90 - 33.00
Malaysia	4.7600 - 4.7680	2.6670 - 2.6690
Mexico	5294.60 - 5306.50	3067.00 - 3068.00
N.Zealand	3.3035 - 3.3080	1.8480 - 1.8505
Saudi Ar.	6.6480 - 6.7250	3.7495 - 3.7505
Singapore	2.9190 - 2.9260	1.6335 - 1.6355
S.Af (Cm)	4.9990 - 5.0105	2.7990 - 2.8005
S.Af (Fn)	5.7475 - 5.8415	3.2155 - 3.2680
Taiwan	44.60 - 44.75	24.95 - 25.05
U.A.E.	6.5095 - 6.5865	3.6715 - 3.6735

*Floating rate. Iran Official rate:£116.2 $65.5

POUND SPOT - FORWARD AGAINST THE POUND

Jan 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7835 - 1.7970	1.7950 - 1.7960	0.94-0.92cpm	6.22	2.76-2.73pm	6.12
Canada	2.0875 - 2.1060	2.1050 - 2.1060	0.65-0.61cpm	3.59	1.28-1.21pm	2.37
Netherlands	3.2200 - 3.2400	3.2200 - 3.2300	¼-¼cpm	0.93	¾-½pm	0.85
Belgium	58.95 - 59.25	59.10 - 59.20	7-2cpm	0.91	17-12pm	0.98
Denmark	11.1050 - 11.1500	11.1225 - 11.1325	¼-⅛orepm	0.74	1¾-1pm	0.49
Ireland	1.0705 - 1.0825	1.0750 - 1.0760	0.05cpm-par	0.28	0.12dis-0.03pm	-0.17
Germany	2.8650 - 2.8750	2.8650 - 2.8700	¼-¼pfpm	1.05	¾-½pm	0.87
Portugal	246.10 - 248.90	247.90 - 248.90	98-119cdis	-5.24	219-292dis	-4.11
Spain	180.30 - 181.10	180.70 - 181.00	27-34cdis	-2.02	92-103dis	-2.16
Italy	2152.25 - 2161.00	2152.25 - 2153.25	1-3lredis	-1.11	6-8dis	-1.30
Norway	11.2375 - 11.2975	11.2875 - 11.2975	¼-¼orepm	0.20	¼-¼oredis	-0.11
France	9.7625 - 9.7975	9.7725 - 9.7825	¼-¼cpm	0.61	1¼-½pm	0.38
Sweden	10.4050 - 10.4475	10.4175 - 10.4275	1½-1¾oredis	-1.87	4¼-4¾dis	-1.66
Japan	223.75 - 226.00	225.00 - 226.00	1-¾ypm	4.99	3-2¾pm	5.10
Austria	20.16 - 20.23	20.16 - 20.19	2¾-1¼gropm	1.08	5½-2½pm	0.79
Switzerland	2.5450 - 2.5550	2.5450 - 2.5550	¾-⅝cpm	3.24	1⅞-1¾pm	2.84
Ecu	1.4030 - 1.4080	1.4030 - 1.4040	0.05dis-par	-0.21	0.10dis-0.08pm	-0.03

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.14-5.09cpm, 12 Month 9.15-9.05pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7835 - 1.7970	1.7950 - 1.7960	0.94-0.92cpm	6.22	2.76-2.73pm	6.12
Ireland†	1.6535 - 1.6625	1.6610 - 1.6620	0.86-0.81cpm	6.03	2.55-2.45pm	6.02
Canada	1.1695 - 1.1745	1.1725 - 1.1735	0.26-0.28cdis	-2.76	0.76-0.81dis	-2.68
Netherlands	1.7940 - 1.8175	1.7960 - 1.7970	0.79-0.82cdis	-5.38	2.40-2.43dis	-5.38
Belgium	32.90 - 33.20	32.90 - 33.00	13.00-16.00cdis	-5.28	42.00-45.00dis	-5.28
Denmark	6.1950 - 6.2525	6.1950 - 6.2000	2.80-3.10oredis	-5.71	8.70-9.30dis	-5.81
Germany	1.5925 - 1.6150	1.5960 - 1.5970	0.70-0.72pfdis	-5.34	2.15-2.17dis	-5.41
Portugal	137.30 - 138.50	137.40 - 137.50	130-140cdis	-11.79	360-390dis	-10.91
Spain	100.45 - 101.75	100.70 - 100.80	69-72cdis	-8.40	210-217dis	-8.48
Italy	1198.00 - 1212.00	1198.75 - 1199.25	7.40-7.90liredis	-7.66	22.20-23.20dis	-7.57
Norway	6.2725 - 6.3250	6.2875 - 6.2925	3.10-3.40oredis	-6.20	9.50-10.00dis	-6.20
France	5.4300 - 5.4950	5.4425 - 5.4475	2.58-2.63cdis	-5.74	7.98-8.08dis	-5.90
Sweden	5.7875 - 5.8575	5.8025 - 5.8075	3.80-4.05oredis	-8.11	11.45-11.90dis	-8.04
Japan	125.20 - 126.00	125.55 - 125.65	0.11-0.13ydis	-1.15	0.28-0.32dis	-0.96
Austria	11.2600 - 11.3450	11.2625 - 11.2675	4.80-5.20grodis	-5.33	15.00-16.20dis	-5.54
Switzerland	1.4175 - 1.4320	1.4200 - 1.4210	0.38-0.40cdis	-3.29	1.17-1.20dis	-3.34
Ecu	1.2660 - 1.2790	1.2770 - 1.2780	0.64-0.62cpm	5.92	1.94-1.88pm	5.98

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¾ - 10½	10⅞ - 10⅞	10⅞ - 10⅞	10⅝ - 10⅞	10⅞ - 10⅜	10¼ - 10⅜
US Dollar	4¼ - 4⅛	4⅜ - 4¼	4⅜ - 4¼	4¼ - 4⅛	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6⅞	7 - 6¾	7¼ - 6⅞
Dutch Guilder	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9½ - 9⅜	9⅞ - 9⅞	9¼ - 9⅛
Swiss Franc	7½ - 7¼	7½ - 7⅜	7⅜ - 7⅜	7½ - 7⅜	7⅞ - 7⅞	7⅜ - 7¼
D-Mark	9⅝ - 9½	9⅝ - 9½	9⅞ - 9⅞	9½ - 9⅜	9⅝ - 9½	9¼ - 9⅛
French Franc	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞	9⅞ - 9⅝	9⅝ - 9½
Italian Lira	12 - 10	12¼ - 11¼	12 - 11½	11¾ - 11¼	11¾ - 11½	11⅞ - 11½
Belgian Franc	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9⅞ - 9⅞	9⅞ - 9⅞
Yen	5⅝ - 5⅜	5⅝ - 5⅜	5⅝ - 5⅜	5⅜ - 5¼	4⅞ - 4¾	4⅞ - 4⅞
Danish Krone	9¾ - 9⅝	9¾ - 9⅝	10 - 9⅞	10⅛ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing	3 - 2⅞	2⅞ - 2⅝	2⅞ - 2¾	2⅞ - 2⅞	3⅛ - 2⅞	3⅜ - 3⅛

Long term Eurodollars: two years 5½-5⅜ per cent; three years 6⅛-6 per cent; four years 6⅝-6½ per cent; five years 7-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.28	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.795	2.867	225.5	9.777	2.550	3.225	2153	2.105	59.15	1.403
$	0.557	1	1.597	125.6	5.447	1.421	1.797	1199	1.173	32.95	0.782
DM	0.349	0.626	1	78.65	3.410	0.889	1.125	751.0	0.734	20.63	0.489
YEN	4.435	7.960	12.71	1000.	43.36	11.31	14.30	9548	9.335	262.3	6.222
F Fr.	1.023	1.836	2.932	230.6	10.	2.608	3.299	2202	2.153	60.50	1.435
S Fr.	0.392	0.704	1.124	88.43	3.834	1	1.265	844.3	0.825	23.20	0.550
N Fl.	0.310	0.557	0.889	69.92	3.032	0.791	1	667.6	0.653	18.34	0.435
Lira	0.464	0.834	1.332	104.7	4.541	1.184	1.498	1000.	0.978	27.47	0.652
C$	0.475	0.853	1.362	107.1	4.645	1.211	1.532	1023	1	28.10	0.667
B Fr.	1.691	3.035	4.847	381.2	16.53	4.311	5.452	3640	3.559	100.	2.372
Ecu	0.713	1.279	2.043	160.7	6.969	1.818	2.299	1535	1.500	42.16	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

[illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100%

[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	2.96	-	-	0.04	0.13	-
107	2.00	-	-	0.07	0.23	-
108	1.17	-	-	0.20	0.40	-
109	0.62	1.74	-	0.56	0.67	-
110	0.17	1.17	-	-	-	-
111	0.05	0.74	-	-	-	-
112	-	0.48	-	-	-	-
113	-	-	-	-	-	-
Open int	124,731	43,248	4,807	105,419	33,958	250

Estimated volume 29,713 Total Open Interest 312,413

FT-SE 100 INDEX (LIFFE) £25 per full index point

	Close	High	Low	Prev.
Mar	1160.0			1160.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7955	1.7862	1.7681	1.7444	1.7045

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates unmoved

UK money market conditions were slightly easier yesterday, although rates above one month remained unchanged, suggesting that few operators see room for an early cut in base rates, *writes Simon London.*

The Bank of England forecast a liquidity shortage of £900m early in the session, revised down to £850m. The main factor was maturing repurchase agreements, draining £670m from the market for the second day in succession, as assistance injected earlier in the month is rolled over.

In early assistance the Bank of England bought £465m paper for resale to the market on February 12 and 13 at 10¹³⁄₁₆ per cent, identical to the £177m injected on the same terms on Monday. A further £37m was added before the end of the morning session, through the outright purchase of band 1 *bills at 10⅜ per cent.*

Afternoon assistance ampounted to £357m, again through the purchase of band 1 at 10⅜ per cent. Late assistance amounted to £25m, bringing the total liquidity injection for the day to £884m.

The unsecured overnight money rate was steady at around 11 per cent during the morning, falling to 8 per cent in the afternoon as market conditions loosened. At the close the overnight rate was at 10¾ - ½ per cent. Longer rates were litle changed, suggesting that participants still see no room for an early cut in interest rates.

Three month interbank funds traded at 10⅝ - ½ per cent from 10¹¹⁄₁₆ - ⁹⁄₁₆ per cent on Monday; one month interbank money was 10¾ - ⅝ per cent, from 10¹³⁄₁₆ - ¹¹⁄₁₆ per cent.

However, operators in the futures market were more optimistic. The March short sterling contract on the London International Financial Futures Exchange traded up to 89.82, from 89.74 on Monday, implying base lending rates of 10.18 per cent by the Spring.

In Frankfurt, call money rates were marginally higher for the second day running, at 9.55/65 per cent from 9.50/60 per cent on Monday and the 9.40/50 per cent level which prevailed for most of last week.

Pension payments are draining funds from the market this week, although *yesterday the Bundesbank* moved to relieve the liquidity squeeze by injecting funds held on deposit for the public sector under Section 17 of the Bundesbank Act.

In Tokyo call money was easier at 5⅞ per cent from 5¹⁵⁄₁₆ per cent on Monday.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.28) 3 months US dollars		6 months US Dollars	
bid 4¼	offer 4¼	bid 4⁵⁄₁₆	offer 4⁷⁄₁₆

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm

Prime rate	6½	One month	4.03	Three year	5.50
Broker loan rate	6	Two month	3.74	Five year	6.31
Fed.funds	4	Three month	3.92	Seven year	6.78
Fed.funds at intervention	-	Six month	4.05	10-year	7.15
		One year	4.15	30-year	7.69
		Two year	5.11		

Jan.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.50-9.65	9.40-9.50	9.40-9.50	9.40-9.50	9.30-9.40	9.75
Paris	9¹⁵⁄₁₆-10¹⁄₁₆	9¹⁵⁄₁₆-10¹⁄₁₆	9¹⁵⁄₁₆-10¹⁄₁₆	9¹⁵⁄₁₆-10¹⁄₁₆	9¾-9⅞	9.60
Zurich	6⅞-7⅛	7¼-7½	-	7¼-7½	-	-
Amsterdam	9.43-9.56	9.40-9.50	-	9.37-9.42	-	-
Tokyo	5½-5⅞	5⅜-5⅞	-	5⅜-5⅞	-	-
Milan	11⅞-12¼	12⅛-12⅜	-	11⅞-12⅛	-	-
Brussels	9⅜-9⅞	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	10⅝-10¹³⁄₁₆	10⅝-10¹³⁄₁₆	10½-10⅝	10⅝-10¾	10⅝-10⅞	-

LONDON MONEY RATES

Jan 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	11	10¹³⁄₁₆	10¹¹⁄₁₆	10⅝	10⁷⁄₁₆
Interbank Bid	8	10⅝	10¹¹⁄₁₆	10⁹⁄₁₆	10½	10⁵⁄₁₆
Sterling CDs	-	-	10¹¹⁄₁₆	10⁹⁄₁₆	10½	10⅜
Local Authority Deps.	11	11	10¾	10⅝	10⁷⁄₁₆	10⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10	10⅝	-	-	-	-
Company Deposits	-	-	10⅞	10¹¹⁄₁₆	10⅝	10⅜
Finance House Deposits	-	-	10⅞	10¹¹⁄₁₆	10½	10⁷⁄₁₆
Treasury Bills (Buy)	-	-	10¼	9¹⁵⁄₁₆	9⅝	-
Bank Bills (Buy)	-	-	10¼	9¹⁵⁄₁₆	9¹⁵⁄₁₆	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.12	4.12	4.15	4.53
SDR Linked Dep. Offer	-	-	6¾	6¹¹⁄₁₆	6⅝	6¹¹⁄₁₆
SDR Linked Dep. Bid	-	-	6½	6⁷⁄₁₆	6⅜	6⁷⁄₁₆
ECU Linked Dep. Offer	-	-	10⁷⁄₁₆	10⅜	10⅜	10
ECU Linked Dep. Bid	-	-	10⅝	10¼	10¼	9¾

Treasury Bills (sell); one-month 10½ per cent; three months 9¹³⁄₁₆ per cent; six months 9½ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 9¹³⁄₁₆ per cent; Treasury Bills; Average tender rate of discount 9.8993 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31 ,1991 . Agreed rates for period Jan.25, 1991 to February 25 , 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30,1991 to December 31 , 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 . Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

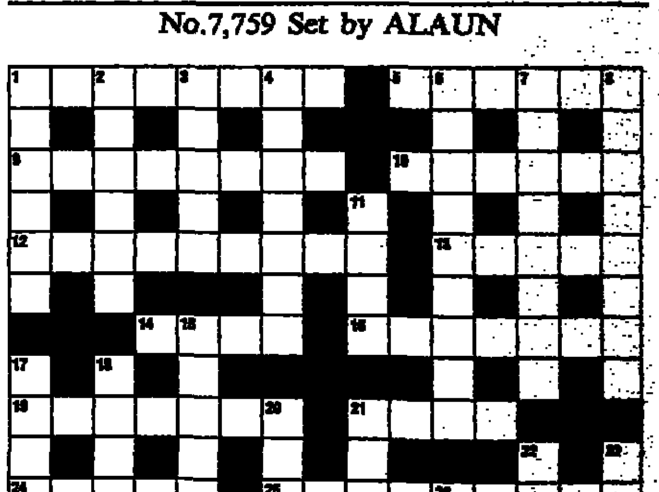
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,759 Set by ALAUN



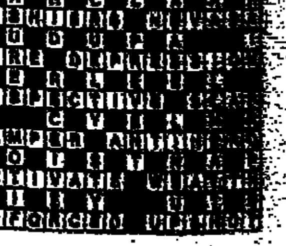
ACROSS

1 Feeding it takes money (3,5)
5 Supplies the handles (6)
9 Having had a start, I come ninth in it (8)
10 Cross check (2,4)
12 Is there one in every jet of water? (5,4)
13 Only screwed up the point of the yarn (5)
14 All you say is "A Vacancy" (4)
16 Equip the posse to catch the outlaw (7)
19 Colour a horse is very fond of (7)
21 When upset, try a milk pudding (4)
24 "Drunk in charge" is entered, but that's not against the law (5)
25 There's nothing wrong with me; just tense (9)
27 Empty tin found in another container (6)
28 Spring near? Almost (4-4)
29 Were having a wee drop and a break: most unusual (6)
30 Let one know the weapon has the tip sheathed (4,4)

DOWN

1 Seizes power in the plant (6)
2 Give, in a limber sort of way (6)
3 Right. For once do something (5)
4 The first woman is having a row with another (7)
6 Courting disaster, captured the point that gives victory (9)
7 Polite name for a recruiting officer's failure? (8)
8 Bars outside a bedroom window (8)
11 This fish, by the by, is not bony (4)
15 Hints and not veiled ones (9)
17 Greatly impress the cocksure Romeo (4,4)
18 For racing, does it have a souped-up engine? (5,3)
20 Set a trap for one youth (6)
21 Have a drink again; myself. It's very good (7)
22 Unleashed, bit one [illegible] (6)
23 Longed to get it cashed, heartlessly (6)
26 Decreed it should be [illegible] (5)

Solution to Puzzle No.7,758



WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices January 28

1700	Canamax	35	36	35	
3100	Cantor	$27½	27¾	27⅛	+¼
2600	CnPcForest	$26⅝	26	26⅝	+⅛
3100	Cara Op	$5⅝	5⅜	5⅝	
3600	Cascades	56	6	6	+⅛
1100	Celanese	u$44½	43¾	44½	+1⅛
3200	Cnerl Cap	40	40	40	
10600	Cinepx Odn	310	305	305	+6
1600	Cnerl Fd A	u470	465	470	
3400	Cominco	$22⅛	22⅛	22⅛	
7000	Coputalog	72	72	72	
24400	Jannock	$17⅛	17⅛	17⅛	-⅛
300	KerrAddis	516	15⅞	16	+½
111700	Labatt	u$27⅝	27⅜	27½	
31600	Lac Minls	$9⅛	8¾	8⅞	-⅛
4500	Lafarge	u$16⅝	15⅞	16⅝	+1⅛
4500	Laidlaw A	$12⅛	12⅛	12⅛	
78200	Laidlaw B	$12⅝	12⅛	12⅛	
1200	Laurent Bk	$21½	21	21	
300	Laurent Gp	u$6⅞	6⅞	6⅞	

INDICES

NEW YORK

DOW JONES	Jan 28	Jan 27	Jan 24	Jan 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3272.14	3240.61	3232.78	3226.74	3272.14 (28/1)	3172.41 (2/1)	3272.14 (28/1/92)	41.22 (2/7/32)
Home Bonds	99.56	99.43	99.52	99.44	99.61 (17/1)	98.96 (2/1)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1356.32	1356.32	1362.29	1384.72	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.51	213.45	214.07	213.51	225.59 (3/1)	211.82 (17/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3298.30 (3267.44) Low 3230.99 (3216.23)

STANDARD AND POOR'S

	Jan 28	Jan 27	Jan 24	Jan 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.96	414.99	415.48	414.96	420.77 (15/1)	412.64 (21/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.48	492.51	492.86	492.01	499.27 (15/1)	490.04 (21/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.54	34.49	34.53	34.45	35.14 (15/1)	33.82 (21/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.95	228.94	229.72	228.89	231.85 (15/1)	227.64 (12/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	412.71	412.48	413.42	414.27	415.33 (20/1)	395.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	621.29	621.00	624.68	622.86	630.82 (15/1)	586.45 (2/1)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 24	Jan 17	Jan 10	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.83	2.89	3.58

	Jan 22	Jan 15	Jan 8	year ago (approx.)
S & P Industrial div. yield	2.53	2.52	2.54	3.30
S & P Indl. P/E ratio	25.60	25.76	25.51	16.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Unisys Corp	4,822,900	7¾	+ ⅛
Citicorp	4,456,900	15½	+ ½
Compaq	3,387,400	32¾	- 2⅛
Am T & T	2,887,300	37¾	- ⅛
Texaco	2,753,900	62⅛	+ 1⅛
Interco	2,492,300	⅛	....
Chem Bank	1,969,200	28⅞	+ ⅛
Chrysler	1,884,900	15⅛	+ ⅛
Procter Gamble	1,818,000	102⅝	+ 5½
Storage Tech	1,738,000	65½	+ 9

TRADING ACTIVITY

† Volume (Millions)	Jan 28	Jan 27	Jan 24
New York SE	217.070	190.430	210.716
Amex	19.336	18.016	21.552
NASDAQ	(u)	196.446	240.935
NYSE			
Issues Traded	2,199	2,185	2,194
Rises	881	884	909
Falls	813	835	797
Unchanged	505	466	488
New Highs	121	109	91
New Lows	9	8	4

CANADA TORONTO

	Jan 28	Jan 27	Jan 24	Jan 23	1992 HIGH	1992 LOW
Metals & Minerals	3140.55	3162.15	3136.31	3139.99	3238.87 (16/1)	2935.22 (2/1)
Composite	3623.25	3628.50	3630.80	3624.53	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1903.47	1907.35	1908.90	1909.68	1937.59 (16/1)	1856.55 (2/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation (c) Closed. (u) Unavailable

TAIWAN** Weighted Price (30/6/66)	5312.67	5341.49	5243.60	5122.01	5341.49 (27/1)	4692.17 (6/1)
THAILAND Bangkok SET (30/4/75)	766.73	771.93	781.63	780.26	781.63 (24/1)	711.81 (3/1)
WORLD M.S. Capital Intl (1/1/70) ($)	523.1*	521.8	522.5	527.7	542.1 (7/1)	520.1 (13/1)

** Saturday January 25: Taiwan Weighted Price 5298.99; Korea Comp Ex 664.29
& Subject to official recalculation. †Correction ‡ Amended Jan15 403.72; Jan16 405.17. *Calculated at 15.00 GMT
Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX - 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 28 January 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	2.2m	351	-1	NKK	1.5m	327	+7
Mitsubishi Heavy	2.0m	652	-4	Meiji Seika	1.5m	798	+47
Meiji Milk Prods.	2.0m	880	+54	Mitsui Real	1.4m	1,220	-40
Toshiba	1.8m	640	0	Toyo Ink	1.3m	770	+10
Hitachi	1.5m	920	+10	Marubeni	1.2m	482	-4

4:00 pm prices January 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	12¾	AAR Corp x	0.48	3.4	15	158	14⅛	14	14⅛	+⅛
26	22½	A L Labs A	0.16	0.7	26	88	24	23⅝	23⅞	
68⅝	58⅞	AMP Inc x	1.52	2.4	28	1494	64⅞	64⅛	64¼	-⅝
75½	68⅞	AMR				244596	71⅛	69⅞	71¼	+⅞
2⅛	1⅞	ARX			2	78	u2⅛	2⅛	2⅛	+⅛
52¾	45¼	ASA	3.00	5.8	15	335	52½	51¾	51⅞	-½
68⅛	61	Abbott Lab	1.00	1.6	24	7729	61⅞	d60⅞	61½	-⅜
13⅞	12⅞	Abitibi Pr	0.50	3.8	17	16	12¾	12¾	13	+⅛
11⅝	11⅛	ACM Gvt In	1.26	11.0		628	11½	11⅜	11½	
10⅞	9½	ACM GvOpp	1.01	10.1		106	10⅛	10	10	-⅛
9½	9	ACM Gvt Sp	0.17	1.8		313	u9½	9⅜	9⅜	+⅛
11⅛	10⅝	ACM Gvt Se x	1.28	11.4		585	11	10⅞	11	
9¼	8⅞	ACM Man	0.47	5.2		440	u9¼	9⅛	9⅛	-⅛
12⅞	12⅝	ACM Managd	1.35	10.8		474	12¾	d12⅝	12⅝	
9⅝	7	Acme Cleve x	0.40	4.2	21	267	u9⅝	9	9½	+⅜
5⅞	4⅝	Acme Elect			3	11	5	4⅞	5	-⅛
33¼	30	Acuson			20	633	31	d30	30⅞	+⅝
19⅞	18⅝	Adams Expr x	0.48	2.6	0	88	18¾	d18⅝	18¾	+⅛
15¼	13	Adobe12Pf	2.40	16.6		33	14¾	14½	14½	-¼
5⅜	4½	Adobe Res			49	111	u5⅜	5	5	-¼
48½	42¼	Ad Micro				681	48¼	47¼	47¾	-¼
21¼	17⅞	Ad Micro P	3.00	14.4	13	9111	21⅛	20⅝	20¾	-⅛
7	5	Advest Grp	0.16	2.5	27	179	6½	6⅜	6½	
45⅝	42⅝	Aetna Li x	2.76	6.1	9	1464	u45¾	45⅜	45½	+⅛
10½	8⅜	AfM A x	0.24	2.3	94	1948	u10⅝	10⅛	10⅜	-⅛
32⅞	29½	Aflac				395	29⅞	d29½	29¾	-⅛
17⅝	15⅝	Ahmanson	0.88	5.0	6	1233	u17⅝	17⅜	17½	+⅛
21½	17½	Aileen Inc			19	1593	u22½	21½	22	+1⅛
83⅞	72⅞	Air Pr Chm	0.40	0.5	37	1275	80⅝	78⅞	80½	+½
28⅞	23⅞	Airbne Frt	0.30	1.1	19	417	27	26¾	26⅞	
24⅞	22⅝	Airgas Inc			180	16	23¼	23	23¼	+⅛
11¼	8⅞	Airlease	1.68	14.9	6	42	u11¼	11	11¼	+⅛
102½	99½	AlaPw8 16	8.16	8.0		z100	u102½	102½	101½	
25⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
106	104	AlaPw9.44	9.44	8.9		4	u106	106	106	+1¼
108	102⅝	Alab Pw 11				2	104	104	104	
[illegible]										

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
71¼	66½	Xerox	3.00	4.4	12	974	69¼	68½	68⅝	-⅝
53⅝	50½	Xerox4.125				z100	u53⅝	53⅝	53¼	-⅛
25¾	24⅞	Xtra 1.94				304	25¼	25	25¼	+¼
31	28½	Xtra Corp	0.72	2.4	15	288	30¾	30¼	30½	+¼
27	25¼	Yankee Egy	1.60	6.1	13	28	26¼	25⅞	26¼	+¼
⅞	½	Zapata				871029	⅞	13/16	⅞	+1/16
9⅞	7¼	ZenithElec				32052	9¾	9⅜	9⅝	-⅛
16⅞	15¾	Zenith Nat x	1.00	6.3	132	34	16¼	15⅞	15⅞	+¼
6⅝	6	Zenix Inc x	0.84	12.9		121	u6⅝	6½	6½	-⅛
12¼	11⅛	Zero Corp	0.40	3.4	15	1378	11⅞	11½	11¾	+¼
38	35⅝	Zurn Ind	0.88	2.4	16	524	37¼	36¼	36⅝	-⅞
14⅛	13½	Zweig Fund	1.16	8.4		556	13⅞	13⅝	13⅞	
11	10⅝	Zweig Totl	0.95	8.9		358	10¾	d10⅝	10¾	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices January 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Fab Inds	0.50	15	14	34½	34⅛	34¼	-⅛
Fluke (J)	0.48	12	74	26	25¾	26	-¼
Forest La		35	634	39⅞	38½	38½	-½
Frequency		7	5	u4¾	4¾	4¾	+¼
Fr ulLeom		23	1338	u29⅛	28⅛	28⅞	+⅜
FstAust	1.08		133	u9⅞	9½	9⅞	+⅛
Giant Fdt A x	0.66	12	314	24¾	24⅝	24¾	+⅛
Glatfltr	1.20	18	36	57½	57	57½	+⅛
Goldfield		7	111	⅝	⅝	⅝	
Greenman		32	433	u5⅜	4⅞	5¼	+⅛
GRI Corp		2	10	⅞	⅞	⅞	-⅛
Gulf Cda	0.40	170	853	5¼	5	5¼	+⅛
Mitchl En	0.40	13	258	15	14½	14⅝	
Moog A		6	8	6⅝	d6⅝	6⅝	
MSR Expl		3	11	⅞	d13/16	⅞	+1/16
Nabors		15	765	6⅞	6⅝	6¾	-⅛
Nat Ptnt		1	456	4⅞	d4⅞	4⅞	+⅛
New Line		20	238	u16⅝	16⅛	16¼	-⅜
NY TimesA	0.56	84	750	27¼	26⅞	27	-⅛
NthCanOil	0.18	393	4	7⅞	7¼	7⅞	+⅛
Nuveen		99	10	5⅛	5	5	
NV Ryan		0	1682	u1⅞	1	1¼	+1/16
Odetics A		52	6	6⅞	6⅞	6⅞	
Olsten	0.24	40	32	26⅞	25⅝	26⅞	+⅛
OMI Corp	0.14	8	976	7¾	7⅝	7¾	
Pall Corp x	0.36	33	559	31¼	30½	30¾	
Pegasus G	0.10	8	205	13⅞	13¼	13¼	
Perini		9	33	13¾	13½	13¾	+⅜
Pet H&P	0.31	8	25	12⅛	11⅞	11⅞	-⅛
Phil LD	0.18	14	1223	33⅝	33¼	33½	+⅛
Pitney A x	1.10	12	89	28¾	28¼	28¼	
Ply Gem	0.12	141	216	u10⅛	9⅞	9⅞	+¼
PMC	0.62	16	7	10	10	10	+⅛
Presidol x	0.10	2	5	3½	3½	3½	
UtdFoodsB		87	4	u1¾	1¾	1¾	
UnivPtnts		21	78	9⅛	8¾	8¾	-½
US Cellul		36	90	22¾	22¼	22¼	-¼
Vivigen		30	35	14⅜	14	14⅛	+⅛
WangLab C		2	38	u8½	8	8¼	+½
WangLab B		4	2494	u4	3¾	3¾	-¼
Weatherfd		33	815	4⅞	4¾	4⅞	
Westamer x	0.48	8	27	19¾	19¼	19⅜	-⅛
WIRET	1.29	13	1278	13⅝	13½	13¼	-⅛
Worthen		9	12	18	d17¾	17¾	-¼
Xytronix		24	411	18½	17½	18⅛	+⅛

NASDAQ NATIONAL MARKET

4:00 pm prices January 28

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	1326	29¼	28	28¼	-¾
Xoma Corp		13	21027	u24½	23	24	+⅞
Yellow Fr	0.94	20	915	28¾	28¼	28¼	-¼
York Rsch		59	1898	7⅛	6¾	7⅛	+⅛
ZionsUtah	1.44	8	127	43¾	42¼	42½	-1¼

FINANCIAL TIMES
Wednesday January 29 1992

AMERICA

Dow scores record peak ahead of Bush speech

Wall Street

ALTHOUGH trading on US stock markets yesterday remained cautious ahead of the State of the Union address by President Bush, heavy demand for blue chips in the wake of good earnings reports helped the Dow Jones Industrial Average establish a record high, *writes Patrick Harverson in New York.*

At the close the Dow was 31.53 stronger at 3,272.14, eclipsing its previous all-time peak of 3,264.98 registered on January 17. Secondary indices, however, were left out in the cold. The Standard & Poor's 500 finished a slight 0.03 easier at 414.96, while the Nasdaq composite of over-the-counter stocks edged just 0.28 higher to 621.28. Turnover on the New York SE was moderate at 218m shares.

As on Monday, the markets played a waiting game yesterday, with trading overshadowed by the President's speech, which was scheduled for 8pm New York time last night. No surprises were expected in the address, and while some investors hoped for a range of measures to spur economic activity, others were fearful that an over-stimulative package of tax cuts could revive inflation and push up long-term interest rates.

The sharp rise in the Dow stemmed from big gains in a few stocks, which were boosted by positive earnings reports. Walt Disney jumped $9 to $141½ on heavy buying as investors responded positively to Monday's late announcement of a rise in fiscal first-quarter profits.

Procter & Gamble also shone, appreciating $4⅞ to $103 in heavy trading after reporting fiscal second-quarter net income of $1.47 a share, higher than the $1.36 earned in the previous year's second quarter. Merck firmed $1¼ to $153 in the wake of higher fourth-quarter profits.

Compaq fell $2¼ to $32¾ in turnover of 2.4m shares after the computer manufacturer reported fourth-quarter earnings of 77 cents a share, almost half the $1.51 earned at the same stage of 1990.

Sentiment was also troubled by a warning from Compaq that it expected more price competition this year. Other computer stock were mixed on the Compaq news, with Hewlett-Packard down $½ at $60, Digital Equipment up $1 at $52, Unisys $⅛ firmer at $7¾ and leader IBM off $½ at 93¼.

Warner-Lambert shed $1⅝ to $72¼ on news of a $2.21 a share loss in the final quarter, incurred after two charges to cover restructuring. The company surprised the market by increasing its dividend.

Bankers Trust ran into profit taking on the heels of Monday's earnings-related gains. The stock retreated $1⅝ to $64¾ in spite of predictions from the company that 1992 trade revenues would exceed last year's.

Lifetime forged ahead $4¼ to $37¼ on news that the home healthcare group is considering to sell a substantial stake to investors.

Canada

TORONTO traded in a narrow range all session in moderate activity. The composite index finished 5.2 off at 3,623.2, while declining issues held a small edge over advances of 301 to 292. Volume was 28.1m shares.

International Verifact declined 13 cents to C$1.26. The company said it plans to offer up to 6m units at C$1 apiece. Each unit comprises one common share and one warrant, exercisable for two years, to purchase an additional share at C$1.30 in the first year and C$1.80 in the second year.

Portugal puts its faith in recent reforms

High interest rates and privatisation have hit the equity market, says Patrick Blum

The Portuguese stock market fell to its lowest level since March 1987 this week, suggesting that an upturn remains some way off in spite of reforms to make the market more attractive.

The Banco Totta & Acores (BTA) index, which reached an all-time high of 6,753.30 in October 1987, fell below 1,900 on Monday and closed at 1,894.5 yesterday.

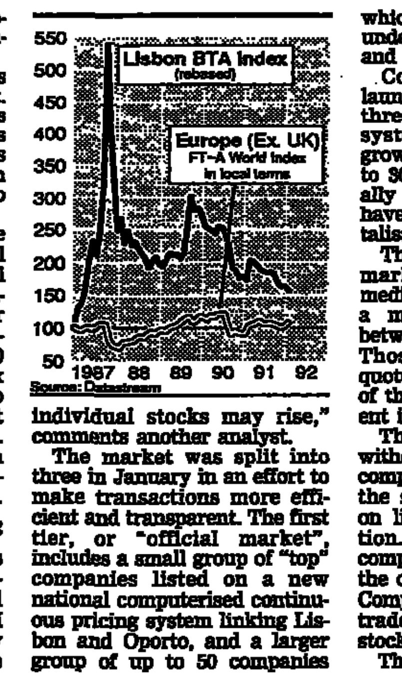
The latest fall confirms a trend already apparent last year, during which trading in shares on the Lisbon and Oporto exchanges declined by more than 6 per cent, while the turnover in bonds and government securities quadrupled to record levels.

Commentators say that government policy to maintain high interest rates and provide extra fiscal benefits for purchasers of shares in companies being privatised effectively favours investment in government-influenced stocks at the expense of the broader market. As long as this remains the case, "investors will continue to leave the market", said Publico, a respected daily newspaper, yesterday.

Last year's developments appear to support that verdict. Domestic and foreign investors rushed into government bonds and the value of transactions in government paper rose from Es341bn ($2.5bn) in 1990 to Es1,460bn.

In sharp contrast, the value of shares traded on the official market, not including initial share flotations for privatisations, nor over-the-counter trading on the secondary market, fell from Es260.2bn in 1990 to Es255.1bn. The BTA index lost 8.8 per cent in 1991 to 1,953.8, and so far this year it has fallen a further 3 per cent.

Analysts pin their hopes on recent reforms and the introduction of a three-tier market. "It is a question of confidence, and the reforms will help," says one analyst, but opinions are more cautious over prospects for a recovery. "Until interest rates come down, I do not see a strong recovery for the market, though some individual stocks may rise," comments another analyst.



Source: Datastream

The market was split into three in January in an effort to make transactions more efficient and transparent. The first tier, or "official market", includes a small group of "top" companies listed on a new national computerised continuous pricing system linking Lisbon and Oporto, and a larger group of up to 50 companies which are quoted twice a day under the old system in Lisbon and Oporto.

Continuous trading was launched last September with three companies to test the system. Since then it has grown to 11 companies, and up to 30 companies could eventually be included, provided they have a minimum market capitalisation of Es500m.

The second tier, or "second market", is for small and medium-sized companies with a market capitalisation of between Es125m and Es500m. Those in this tier will be quoted daily, but only on one of the two exchanges. At present it consists of three stocks.

The third tier, or "market without quotations", will be for companies which do not meet the stock exchange's criteria on liquidity or financial position. Earlier this month, 51 companies were relegated from the official market to this tier. Companies in this tier can be traded on either of the two stock exchanges.

The changes were welcomed by analysts. A leading fund manager says: "These measures are important because they clarify the importance of the different markets and the degree of risk. Companies in the official market, for example, will also have to provide better information."

Other reforms should also help. A new independent securities exchange commission was established last year to regulate and supervise the market. The exchanges are now managed by two private companies which will ultimately merge. The number of authorised brokers will be doubled to 20 in Lisbon and from 10 to 14 in Oporto to encourage greater competition and better service.

Mr John Ferreira of brokers Carnegie International says: "These reforms will add credibility to the market and set the scene for the emergence of a much more serious stock exchange." But for now, bargain hunters with a long-term view could take advantage of the current low prices.

ASIA PACIFIC

Nikkei gains 1.8% on index-related buying

Tokyo

SHARE PRICES gained ground on index-related activity and the Nikkei average advanced 1.8 per cent, in spite of a lack of general buying interest, *writes Emiko Terazono in Tokyo.*

The 225-issue average ended 383.41 ahead at 21,390.52, after opening at the day's low of 21,027.66 and touching the session's high of 21,420.78 in the afternoon.

Volume rose marginally to 160m shares from 137m, as small-lot bargain hunting supported activity. Advances outnumbered declines for the first time since last Wednesday, by 548 to 350, with 203 issues remaining unchanged.

However, activity centred around the Nikkei's 225 component stocks, and in spite of the sharp rise in the Nikkei, the Topix index of all first section stocks added only 9.0 at 1,583.47. In London, the ISE/Nikkei 50 index was just 1.41 firmer at 1,220.12.

An analyst at Daiwa Securities commented: "Trading was futures-related, and there was no real demand." Small-capital component stocks in the Nikkei 225 average surged, with Godo Shusei gaining Y210 or 11.1 per cent to Y2,090.

Reports that the Osaka Stock Exchange was considering disclosure of stock futures transactions and shortening futures trading hours lifted the futures market in the afternoon. Traders said market participants expected the measures to increase transparency in the futures market. However, an OSE official said an official decision had yet to be made on such moves.

Small-lot bargain hunting by foreign investors was noted. Mr Nick Cant at Baring Securities said foreigners had shifted buying from interest rate-sensitive issues, such as banks and real estate, to export-related high-technology stocks.

Issues which had previously firmed on lower interest rates lost ground on profit-taking. Mitsui Real Estate retreated Y40 to Y1,220 and Tokyo Electric Power shed Y10 to Y3,140. However, some electricals saw support, Hitachi gaining Y10 to Y920 and Matsushita Electric Industrial also Y10 to Y1,430.

Ono Pharmaceutical moved ahead Y500 to Y5,380 in Osaka on reports of its plan to launch a new diabetic drug. Buying spread to other drug issues and food companies involved in bio-technological research and development. Takeda Chemical added Y20 at Y1,250 and Meiji Milk Products climbed Y54 to Y880.

Nippon Telegraph and Telephone was unaffected by the overall positive tone of the market, and finished Y2,000 weaker at another all-time low of Y680,000.

In Osaka, the OSE average put on 201.99 to 22,704.90 in volume of 51.1m shares. Activity was dominated by large-lot cross-trading by companies and banks, which wanted to realise gains on their stock holdings ahead of the March book closing; but some buying by individuals and foreigners was noted.

Roundup

PROFIT-TAKING remained the dominant factor ahead of next week's Chinese new year.

HONG KONG saw selective local selling after the Hang Seng index failed to break through the 4,600 level again. The index, nevertheless, closed 31.60 stronger at 4,586.33, in turnover a shade higher at HK$2.05bn.

While profit-taking was seen in Cheung Kong, the real estate sector still had its supporters. Hongkong Land was among the most active stocks as it rose 35 cents to HK$10.30.

SINGAPORE reported pressure on blue chips as the Straits Times Industrial index shed 7.64 to 1,538.28. Initial gains disappeared as buyers withdrew to await the State of the Union address last night from the US president, Mr George Bush.

KUALA LUMPUR eased as investors remained cautious about taking positions ahead of the holiday next week. The composite index ended 0.71 off at 569.84 after an early high of 571.17. Gains in Tokyo and a steady Wall Street overnight prompted some bargain hunting at the outset.

SEOUL ended a two-day advance with the composite index pulling back 9.15 to 665.96 in turnover of Won417bn (Won537bn). Selling was aimed at large manufacturing, financial, trading and construction stocks.

TAIWAN eased moderately from its 1992 high, the weighted index losing 28.82 to 5,312.67 as turnover decreased from T$60.8bn to T$49.8bn, but observers said sentiment was still optimistic, reflecting a healthy economy and a stable political situation.

AUSTRALIA rose after recovering from the sale of a large UK portfolio worth some A$20m. The sale caused a slight weakness but the market recovered steadily during afternoon trading. The All Ordinaries index gained 10.1 to 1,626. Food group Goodman Fielder Wattie registered the highest volume of 9.4m shares after a parcel of 7m shares worth more than A$10m was placed by New Zealand Dairy.

NEW ZEALAND undid three days of gentle rises to close lower and subdued in a market where most leaders were pegged back on reasonable volume. The NZSE-40 index receded 10.21 to 1,476.80 in turnover of some NZ$28.5m.

BANGKOK saw profit-taking, the SET index closing 5.20 down at 766.73 in turnover of Bt6.51bn. Property and finance shares were active.

KARACHI dropped another 3 per cent, the KSE 100 index ending 46.32 lower at 1,442.31.

EUROPE

Firm NY start helps Paris to end at 1992 high

LATE-CLOSING bourses improved on Wall Street's opening yesterday, but there were also strong individual influences to be absorbed, *writes Our Markets Staff.*

PARIS ended at its highest level so far this year, lifted by Wall Street's firm start and further evidence that 1991 corporate results were better than analysts' worst fears. The CAC 40 index ended 21.33 or 1.14 per cent higher at 1,890.60. Turnover was estimated at FFr2.7bn, of which around FFr500m was generated by the insurer, Axa. Dealers said that a block of at least 460,000 shares in Axa was crossed via Axa's broker Meeschaert, but there were no further details of the transaction. The stock rose FFr8 to FFr932 with 521,560 shares traded.

The most active stock yesterday was Euro Disney, which jumped FFr3 to FFr149.50 in 531,000 shares after Walt Disney reported better-than-expected first quarter results.

The food giant BSN fell as low as FFr1,053 in early trading on news that the Agnelli family had reduced its share of the voting rights in BSN to below 5 per cent. The stock recovered to close FFr4 down at FFr1,075 and dealers expect the stock to rise further today in the wake of its pleasing 1991 turnover figures.

MILAN eased in quiet trading ahead as investors waited for Fiat's 1991 preliminary results, due later in the day. The Comit index fell 2.37 to 545.31 in turnover estimated at L95bn after Monday's L87.6bn.

Fiat ordinary shares closed L50 down at L5,120, but rebounded on the kerb to L5,170. After the close Fiat reported a 70 per cent drop in consolidated operating profit to L636bn. Analysts agreed that the results appeared to be much worse than expectations but they were reluctant to make any further comments until the company published more details.

ZURICH heard after hours that Moody's, the ratings agency, was downgrading Crédit Suisse long-term debt and putting Swiss Bank Corp, still AAA-rated, on its watch-list. CS Holding, parent of Crédit Suisse, was unchanged on the session, but its bearers fell SFr20 to SFr1,910 in London after hours, following a SFr20 drop on Monday.

SBC bearers closed SFr2 lower at SFr311 for a two-day fall of SFr6m and then lost another SFr6 in London post-bourse trading. Dealers said it came under slight pressure on news it had $130m of exposure to the US retailer Macy, which on Monday filed for Chapter 11 bankruptcy protection. SBC said $20m of its commitments to Macy were unsecured.

The all-share SPI index eased eased 1.8 to 1,118.7.

FRANKFURT started well in the pre-bourse, consolidated in the official session and was mildly excited after hours by news that Deutsche Bank was raising its dividend from DM14 to DM15.

After a 1.62 decline to 682.58 in the FAZ index at midsession, the DAX closed just 0.52 lower at 1,683.08, in German market turnover of DM5.9bn after Monday's DM6.1bn.

Blue chips turned mixed after some early support, Daimler holding on to its gains to close DM7.20 higher at DM751.70 on the hope that the US tax on luxury cars might be repealed or reduced. Deutsche eased DM2 to DM704.50 before a late rise to DM707.70 on the dividend news.

STOCKHOLM fell as it waited for the government to reject the proposed merger between Volvo and Procordia. The Affärsvärlden General index fell 4.0 to 983.3, and Volvo B by SKr8 to SKr390; but Procordia, which had fallen SKr18 in two days, closed unchanged at SKr198.

AMSTERDAM concentrated on Nedlloyd. The CBS Tendency Index rose 0.5 to 122.0. The transport group confirmed that it was finally offering the Norwegian investor Mr Torstein Hagen, who has a 27 per cent stake in the company, a seat on the supervisory board. Nedlloyd rose Fl 2.20 or 3.8 per cent to Fl 59.90 on high volume of 280,000 shares. Internatio-Mueller, the technology and transport group, rose Fl 3.50 to Fl 63.00 on volume of 130,000 shares. There were reports that it may sell its 44 per cent stake in the Rotterdam stevedore ECT, in which Nedlloyd holds a similar share.

MADRID rose slightly, with the general index up 1.65 to 255.06. Telefónica, which announced an unchanged interim dividend on Monday, put on Pta5 to Pta1,185, with the impetus coming after New York opened.

The banking sector was generally strong: BBV announced flat operating profits, in line with expectations, and the stock rose Pta30 to Pta2,765; Popular climbed Pta180 to Pta11,720. Repsol recorded the largest volume, above 450,000 shares,but fell Pta20 to Pta2,955 on profit-taking.

OSLO saw Elkem rise to NKr76 on speculation of a merger, later denied, with Norsk Hydro. It fell back to close NKr1.50 higher at NKr72 in turnover of NKr54m. Norsk Hydro closed unchanged at NKr151 and the all-share fell 3.14 to 449.86.

VIENNA saw an improvement in turnover as the all-share index rose by 5.76 to 446.80.

FT-SE Eurotrack 100 - Jan 28

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1142.26	1142.35	1143.80	1142.69	1142.43	1143.04	1144.47	1143.22

Day's High 1145.78 | Day's Low 1141.94

Jan 27	Jan 24	Jan 23	Jan 22	Jan 21
1142.52	1131.86	1131.98	1134.07	1136.99

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG drifted in search of fresh direction. The all-gold index shed 15 to 1,258: Vaal Reefs declined R6 to R218 and Kloof dropped 50 cents to R32.75 in the absence of any stimulus. The industrial index eased 2 to 4,426, while the all-share index fell 3 to 3,620.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 28 1992								MONDAY JANUARY 27 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (68)	144.90	+1.6	119.65	115.04	120.27	129.15	+0.8	4.28	142.64	119.04	113.07	119.86	128.17	160.31	112.74	123.02
Austria (20)	170.40	+1.9	140.70	135.29	141.44	141.74	+1.4	2.04	167.15	139.50	132.50	140.48	139.75	222.37	153.88	181.04
Belgium (46)	143.59	+1.4	118.56	113.99	119.18	116.68	+0.4	5.05	141.66	118.22	112.28	119.05	116.16	151.20	118.04	131.46
Canada (115)	138.93	−0.1	114.72	110.30	115.31	118.00	−0.2	3.12	139.11	116.09	110.26	116.90	118.20	144.28	126.49	127.45
Denmark (37)	265.01	+0.9	218.83	210.40	219.96	223.38	+0.3	1.60	262.73	219.26	208.26	220.80	222.71	273.94	217.74	239.73
Finland (15)	87.32	+2.1	72.10	69.33	72.47	80.11	+2.0	3.04	85.51	71.36	67.78	71.86	78.57	125.15	73.32	97.85
France (109)	152.91	+2.1	126.26	121.39	126.90	130.60	+1.0	3.39	149.81	125.03	118.75	125.90	129.37	152.91	119.11	133.38
Germany (65)	119.23	+1.1	98.45	94.68	98.96	98.96	−0.2	2.33	117.99	98.47	93.54	99.16	99.16	125.35	94.15	110.82
Hong Kong (55)	190.18	+0.7	157.04	150.99	157.86	189.45	+0.7	4.00	188.91	157.66	149.74	158.77	188.15	191.57	119.62	128.87
Ireland (16)	169.13	+0.7	139.65	134.28	140.38	143.43	+0.1	3.55	167.87	140.10	133.07	141.08	143.23	182.46	132.88	139.14
Italy (77)	78.72	+0.8	65.00	62.50	65.34	70.49	−0.3	3.27	78.09	65.17	61.89	65.62	70.72	88.23	64.76	73.85
Japan (473)	124.65	+0.5	102.93	98.97	103.48	98.97	+0.7	0.86	124.01	103.49	98.30	104.23	98.30	146.97	118.23	129.34
Malaysia (68)	223.12	−0.6	184.24	177.14	185.19	229.27	−0.2	2.86	224.38	187.26	177.85	188.57	229.69	247.78	189.18	204.45
Mexico (18)	1517.81	−0.6	1253.29	1205.05	1259.81	5090.49	−0.7	1.02	1526.97	1274.34	1210.39	1283.29	5125.38	1526.97	534.45	566.29
Netherland (31)	153.96	+1.1	127.13	122.23	127.79	126.24	−0.1	4.26	152.24	127.05	120.68	127.95	126.32	155.74	125.70	134.21
New Zealand (14)	45.89	−0.1	37.90	36.44	38.09	45.07	−0.6	6.10	45.94	38.34	36.42	38.61	45.36	54.64	41.18	44.17
Norway (25)	184.59	+0.1	152.42	146.55	153.22	157.59	−0.6	1.65	184.34	153.84	146.13	154.93	158.51	223.24	157.08	187.24
Singapore (38)	227.25	−0.5	187.65	180.43	188.62	171.17	−0.5	2.04	228.43	190.64	181.08	191.98	172.01	228.43	151.63	169.21
South Africa (61)	255.82	−0.9	211.24	203.10	212.33	181.26	−0.1	2.73	258.19	215.47	204.65	216.98	181.47	271.99	173.00	175.51
Spain (52)	156.25	+1.4	129.02	124.06	129.69	119.26	+0.5	4.64	154.10	128.60	122.15	129.50	118.73	171.12	131.51	146.03
Sweden (25)	185.86	+0.2	153.47	147.57	154.27	159.72	−0.9	2.80	185.58	154.88	147.11	155.97	161.20	204.12	146.60	181.03
Switzerland (59)	101.98	+1.0	84.21	80.97	84.66	89.81	−0.2	2.23	101.01	84.30	80.07	84.90	89.99	103.50	82.17	91.69
United Kingdom (234)	182.69	+1.5	150.85	145.03	151.62	150.85	+0.5	4.93	179.93	150.16	142.61	151.20	150.16	187.44	156.27	165.88
USA (523)	169.20	+0.0	139.71	134.34	140.44	169.20	+0.0	2.89	169.22	141.23	134.15	142.23	169.22	171.66	125.95	135.98
Europe (813)	148.10	+1.4	122.29	117.58	122.93	123.26	+0.3	3.91	146.08	121.91	115.80	122.78	122.91	151.52	125.50	134.71
Nordic (102)	186.14	+0.5	153.70	147.78	154.50	152.93	−0.2	2.12	185.15	154.52	146.77	155.60	153.30	200.81	155.55	176.65
Pacific Basin (717)	127.22	+0.5	105.05	101.01	105.60	102.45	+0.7	1.19	126.54	105.60	100.30	106.34	101.79	145.92	117.86	128.74
Euro – Pacific (1530)	135.86	+0.9	112.18	107.86	112.76	111.45	+0.5	2.37	134.64	112.36	106.72	113.15	110.90	147.66	121.29	131.51
North America (638)	167.26	+0.0	138.11	132.81	138.85	165.72	+0.0	2.90	167.30	139.62	132.63	140.62	165.76	169.69	125.91	135.37
Europe Ex. UK (579)	127.08	+1.3	104.93	100.91	105.50	107.23	+0.2	3.17	125.48	104.72	99.49	105.48	107.05	129.80	103.58	115.67
Pacific Ex. Japan (244)	152.60	+0.7	126.01	121.17	126.67	137.56	+0.4	3.88	151.49	126.43	120.10	127.33	136.95	153.49	111.40	121.00
World Ex. US (1724)	138.14	+0.8	114.06	109.68	114.66	113.63	+0.4	2.39	137.02	114.35	108.62	115.16	113.12	148.16	122.32	132.06
World Ex. UK (2013)	144.23	+0.4	119.10	114.52	119.73	128.72	+0.2	2.31	143.69	119.92	113.91	120.77	128.41	150.58	120.06	129.09
World Ex. So. Af. (2186)	146.86	+0.5	121.27	116.61	121.91	130.36	+0.3	2.58	146.11	121.94	115.83	122.81	130.01	153.05	122.92	132.09
World Ex. Japan (1774)	161.07	+0.5	133.00	127.89	133.71	148.97	+0.1	3.28	160.30	133.78	127.07	134.74	148.82	161.90	126.69	135.23
The World Index (2247)	147.58	+0.5	121.86	117.17	122.50	130.82	+0.3	2.58	146.85	122.56	116.41	123.42	130.47	153.70	123.28	132.36